

CITY OF WASHINGTON, ILLINOIS

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2008

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	14
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Assets – Trust and Agency Funds	26
Statement of Changes in Fiduciary Net Assets – Trust Fund	27
Statement of Changes in Assets and Liabilities – All Agency Funds	28
Notes to the Basic Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General and Major Special Revenue Funds	60
Schedule of Funding Progress – Illinois Municipal Retirement Fund (Unaudited)	62
Schedule of Funding Progress– Police Pension Trust Fund (Unaudited)	63

OTHER SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- All Governmental Fund Types	64
Statement of Revenues, Expenditures, and Changes in Fund Balance -- General Fund	67
Combining Balance Sheet -- Incremental Tax Fund by Accounts	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -- Incremental Tax Fund by Accounts	70
Combining Balance Sheet - Nonmajor Governmental Funds	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	73
Combining Statement of Net Assets -- Internal Service Funds	77
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -- Internal Service Funds	78
Combining Statement of Cash Flows -- Internal Service Funds	79
Combining Schedule of Operating Expenses, Other than Depreciation -- Enterprise Funds	80
Schedule of Property Tax Levies, Rates, Collections, and Assessed Valuation	81
Information Regarding Waste Water User-Charge System (Unaudited)	82



INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the City Council
City of Washington, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Washington, Illinois**, as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Illinois as of April 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2008, on our consideration of the City of Washington, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general and major special revenue funds, schedule of funding progress – Illinois Municipal Retirement Fund (unaudited) and schedule of funding progress – police pension trust fund (unaudited) on pages 3-11 and 60-63, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, schedule of funding progress – Illinois Municipal Retirement Fund (unaudited) and schedule of funding progress – police pension trust fund (unaudited), which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. In our opinion, the schedule of revenues, expenditures and changes in fund balance – budget and actual – general and major special revenue funds is fairly stated, in all material respects, in relation to the basic financial statements from which it has been derived.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Washington, Illinois' basic financial statements. The other supplementary information, as listed in the accompanying table of contents, is presented for additional analysis and is not a required part of the basic financial statements. Such information, on pages 64-81, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included on page 82 has been summarized from the City's records. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Heinold-Banwart, Ltd.

October 14, 2008

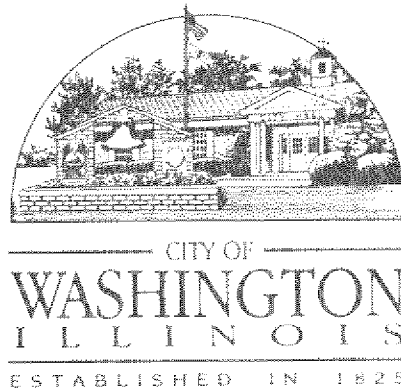
CITY OFFICIALS

Gary W. Manier, *Mayor*

Carol K. Moss, *City Clerk*

Robert E. Gordon, *City Treasurer*

Robert A. Morris, *City Administrator*



ALDERMEN

Robert A. Brucks, *Ward I*

James A. Newman, *Ward I*

Donald R. Brubaker, *Ward II*

Todd A. Clanin, *Ward II*

Alan L. Howerter, *Ward III*

David Dingleline, *Ward III*

James L. Gee, *Ward IV*

Richard E. Schneider, *Ward IV*

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING APRIL 30, 2008

The following narrative overview and analysis is provided by the management and staff of the City of Washington, IL to serve as an introduction to and aid in the understanding of the more detailed financial statements which follow. Comparative information for the prior fiscal year is provided where available and applicable. This overview should be read in conjunction with the financial statements and footnotes that follow this section.

BACKGROUND

The City of Washington, IL operates under the Mayor/Council form of government. Other elected positions include a City Clerk and City Treasurer. Voters approved a Home Rule referendum in 1998 which affords the city greater latitude in meeting the needs of its residents and managing its governmental affairs.

The City provides or makes provisions for the delivery of direct services to its residents including, but not limited to, the following: police; fire; ambulance and rescue; water; wastewater; streets; solid waste disposal and recycling; storm water management; and planning, zoning and code enforcement. It also performs a variety of functions related to these services and other general administrative responsibilities including: budgeting and financial management, human resources administration, accounts payable/receivable and engineering.

The format and content of the financial statements for the fiscal year ending April 30, 2008 are in accordance with the GASB 34 reporting model. Among other things, GASB 34 requires the City to account for the depreciation of fixed assets (city-owned streets, buildings, land, etc.) within governmental activities.

FINANCIAL HIGHLIGHTS

- The assets of the City of Washington exceeded liabilities at April 30, 2008 by \$49,649,159, a \$9,120,343 or 22.5% increase over the prior year. Of the \$49.6 million amount, \$17,211,766 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets as of April 30, 2007 totaled \$7,672,954.

- Of the \$9,120,343 increase in net assets, \$4.8 million is due to new public infrastructure (streets, storm sewers, water and sewer mains, etc.) dedicated to the City in conjunction with private subdivisions.
- At April 30, 2008, the governmental funds reported combined fund balances of \$9,212,900, of which \$8,934,246 were unreserved and available for spending at the City's discretion. In the prior year, the governmental funds combined fund balance was \$8,853,361 of which \$7,129,808 was unreserved.
- The City strives to maintain at least 25% or 3 months operating revenues for cash flow purposes. Additional funds are maintained for unanticipated needs that may occur at any time and in anticipation of major capital projects planned for future years.
- Governmental fund balances increased by \$359,539 (4.06%) during the year.
- The City's long-term debt totaled \$10,159,344 at fiscal year end. This total includes not only bonded indebtedness, but also vested employee compensated absences. The City continues to meet its debt obligations in a full and timely manner. Total long-term debt as of April 30, 2007 was \$10,650,120.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Washington's basic financial statements. The financial statements include three major component parts: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The report contains other supplementary information as well.

Government-wide Financial Statements. The *government-wide financial statements* are intended to provide readers with a broad overview of the City of Washington's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of the City of Washington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Readers are cautioned that substantive conclusions should only be made following a more thorough evaluation of the full financial details and notes included herein.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Washington's governmental activities include General Government, Public Safety, Highways and Streets, Health and Welfare, Cemetery and interest on long-term debt.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Washington, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the City of Washington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City of Washington's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City of Washington maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Illinois Municipal Retirement Fund, and Incremental Tax Fund (TIF) Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

The City of Washington adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided in the Required Supplementary Information section.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Washington maintains two different types of proprietary funds, enterprise and internal service:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Washington utilizes enterprise funds to account for financial transactions related to its Waterworks and Sewerage systems.
- Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City of Washington uses internal service funds to account for the City's self-insured health plan (Employees' Benefit Fund) and for fleet and equipment maintenance and replacement (Motor Equipment Replacement Fund).

Fiduciary funds account for resources held for the benefit of parties outside of the government: pension trust funds and agency funds held by the City in a custodial capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Washington's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-59 of this report.

Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning combining statements and schedules for various funds; funding progress for the City's Illinois Municipal Retirement Fund (IMRF) and Police Pension Trust Fund; a historical review of property tax levies, rates and collections; and comparisons of budget vs. actual revenue and expense data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City of Washington's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the fiscal year, the City of Washington is able to report increased positive balances in all categories of net assets, both for the government as a whole (\$49,649,159 for FYE April 2008 compared to \$40,528,816 for FYE April 2007, a 22.5% increase), as well as for governmental activities (\$23,236,457 compared to \$17,746,262, a 30.9% increase) and business-type activities (\$26,412,702 compared to \$22,782,554, an 15.9% increase).

Financial Analysis: Government Funds

As previously noted, the City of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City of Washington's governmental funds reported combined ending fund balances of \$9,212,900, an increase of \$359,539. The sum of \$8,934,246 is unrestricted.

The general fund is the primary operating fund of the City. Unreserved fund balances at fiscal year-end totaled \$6,459,135. During the year, revenues exceeded expenditures in the general fund by \$1,714,754. After planned transfers to various other funds, and the bond proceeds and premium, the net increase in fund balances was \$404,467.

Financial Analysis: Proprietary Funds

The City's primary Proprietary Funds include the Waterworks and Sewerage Enterprise Funds. Monies in these funds are principally generated from user fees; they are primarily dedicated to the operation, maintenance, repair and replacement of the water treatment and distribution system and the sewer collection and treatment system.

Net assets in the Waterworks Fund total \$11,710,249 with \$2,461,998 being unrestricted. Net assets increased by \$1,125,736, with \$618,328 attributed to capital contributions from developers during the year ending April 30, 2008. Sewerage Fund net assets total \$14,604,635; \$3,980,231 are unrestricted. Net assets in this fund grew by \$2,461,148, with \$1,408,488 attributable to capital contributions from developers.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net assets of \$292,348 and the Motor Equipment Replacement Fund with net assets of \$1,581,809.

Financial Analysis: Trust and Agency Funds

Total fund balances in Trust and Agency Funds are \$5,049,984 which represents the fund balance of the Police Pension Fund (Pension Trust). These monies are restricted for the payment of pension benefits to sworn officers of the Washington Police Department. As of April 30, 2008, the funding ratio of the Police Pension Fund was 84.7%, a slight decrease from the 85% funding ratio at FYE April 2007.

Budgetary Highlights

Each of the City's three primary operating funds (General, Water and Sewerage) realized improvements in their respective accounts for the year ending April 30, 2008. The General Fund balance improved by \$404,467; the Water and Sewerage Funds realized increases in net assets of \$1,125,736 and the \$2,461,148, respectively.

Capital Asset Administration

The City of Washington's investment in capital assets includes land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals, and other infrastructure. This investment in capital assets as of April 30, 2008 was \$40,271,369 (net of accumulated depreciation) compared to \$34,292,119 in the prior year. See Note 3 for further details.

Long-Term Debt

The City's long-term debt totaled \$10,159,344 at April 30, 2008 compared to \$10,650,120 at April 30, 2007. Governmental activity debt totaled \$7,508,517. Business-type activity debt (associated with the City's enterprise funds) totaled \$2,650,827.

Debt reductions during the year totaled \$529,679. Additions to long-term debt during the year totaled \$38,903 which represents the increase in vested employee compensated absences at year end.

As a home-rule unit, no legal limit exists on the amount of outstanding debt. Additional information on the City's long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budget

The City is heavily reliant on the following specific sources of revenue: sales tax, income tax and water and sewer user fees. Further diversification of the City's income sources would be highly desirable.

The City's long-term financial health is largely dependent on a growing commercial base offering a wide variety of products and services that both attract economic activity from customers outside of the City limits and reduce the leakage of sales to other Peoria area commercial shopping centers. Sales taxes are influenced by the number, type and variety of retail and service establishments located within the City. The recent expansion of a major retailer is expected to result in meaningful growth in sales taxes during the coming year.

Income taxes are reliant on the health of the economy, statewide. The City's robust residential development and associated population growth results in increased income tax distributions as well. Unfortunately, these benefits are only realized after official census counts are taken.

The growth of water and sewer user fee revenues also benefit from a growing customer base. The City Council has previously approved automatic annual increases in water and sewer rates of 2.5% or the rate of inflation, whichever is greater, to keep pace with inflation.

While the City's strong residential development generates added income, it also taxes the City's infrastructure and increases demands for other City services. The City's water and sewerage systems have been dramatically affected by such growth. This has caused the City Council to implement increased connection and subdivision development fees to defray a portion of the cost of system improvements. Regrettably, residential development, in and of itself, does not typically pay for the resulting cost of services and infrastructure improvements. Expanded commercial activities, particularly those generating sales taxes, are essential to the long-term financial well-being of the City.

Despite an expanding tax base resulting primarily from new residential development, property taxes generate a comparatively lesser portion of total City revenues. This is the result of the City's extremely low property tax rate that resulted when residents passed the Home Rule referendum. At that time, the City enacted a Home Rule Sales Tax of 1% and cut the property tax rate in half, to \$0.40 per \$100 of assessed valuation. The City's actual tax rate for property taxes paid in 2008 was \$0.37058.

Request for Information

This financial report is designed to provide a general overview of the City of Washington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Ms. Joanie Baxter, Washington City Controller at City Hall, 115 W. Jefferson Street, Washington, IL, 61571, 309-444-1124, jbaxter@ci.washington.il.us.

Changes in Net Assets
Year Ended April 30, 2008

	Governmental Activities	Business-Type Activities	Total Reporting Entity
<hr/>			
Revenues			
Program Revenues:			
Charges for Services	\$ 616,257	\$ 3,676,778	\$ 4,293,035
Operating Grants and Contributions	73,342	-	73,342
Capital Grant and Contributions	3,946,797	2,029,301	5,976,098
General Revenues:			
Taxes			
Property	1,491,853	-	1,491,853
Replacement	61,383	-	61,383
Sales	4,213,619	-	4,213,619
State income	1,240,547	-	1,240,547
Other local	382,338	-	382,338
Motor fuel	377,601	-	377,601
Interest on investments	357,162	218,094	575,256
Gain on sale of capital assets	1,596	-	1,596
Other	78,030	28,411	106,441
Transfers	(204,967)	204,967	-
	<hr/>		
Total Revenues	\$ 12,635,558	\$ 6,157,551	\$ 18,793,109
Expenditures			
General government	\$ 2,002,000	\$ -	\$ 2,002,000
Public safety	2,905,032	-	2,905,032
Highway and streets	1,843,887	-	1,843,887
Health and welfare	13,724	-	13,724
Cemetery	55,355	-	55,355
Interest on long-term debt	325,365	-	325,365
Waterworks	-	1,053,346	1,053,346
Sewerage	-	1,474,057	1,474,057
	<hr/>		
Total Expenditures	\$ 7,145,363	\$ 2,527,403	\$ 9,672,766
	<hr/>		
Change in net assets	\$ 5,490,195	\$ 3,630,148	\$ 9,120,343
	<hr/>		

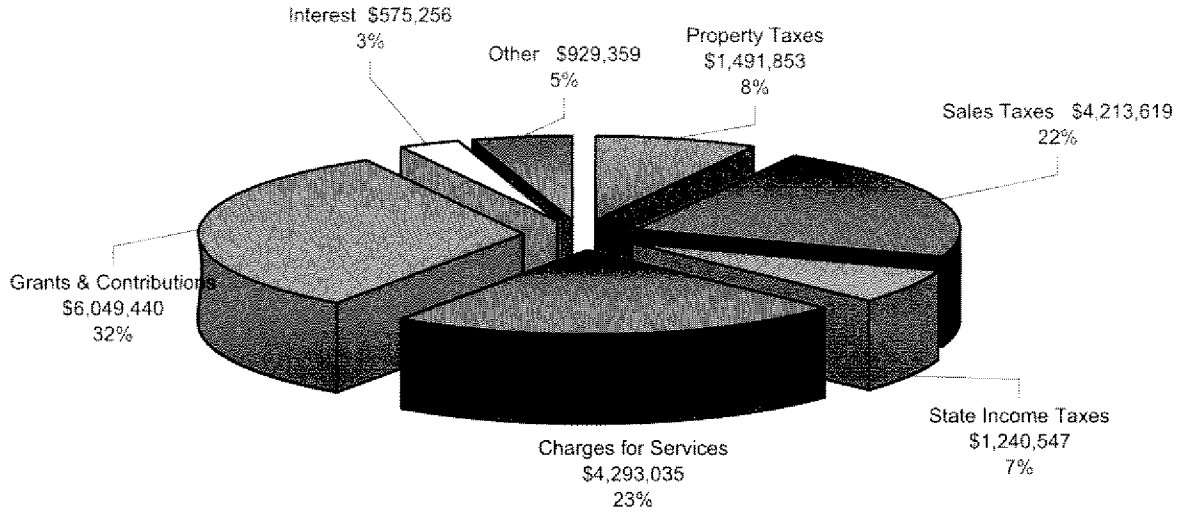
CITY OF WASHINGTON, ILLINOIS

Revenues

(All Activities)

Year Ended April 30, 2008

Total \$18,793,109

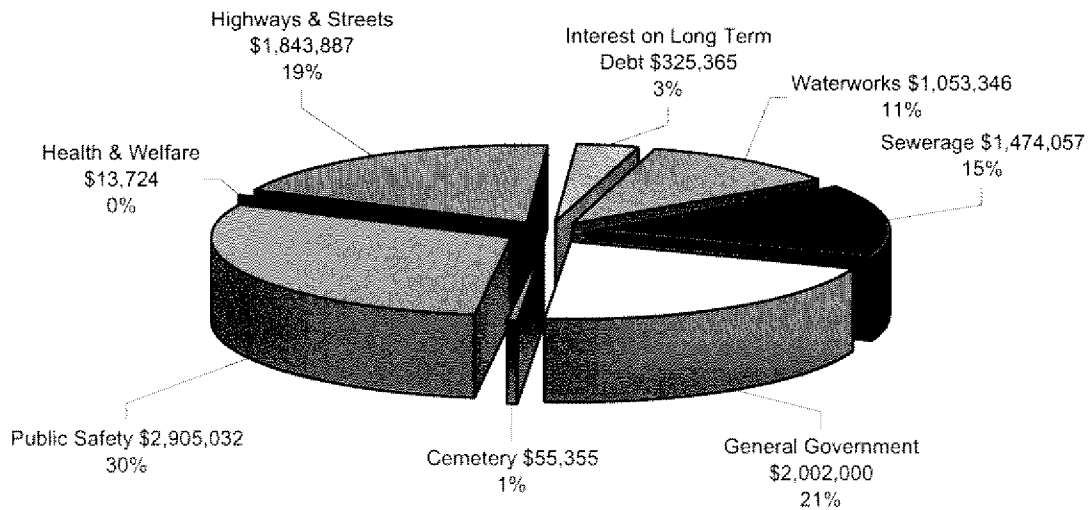


Expenses

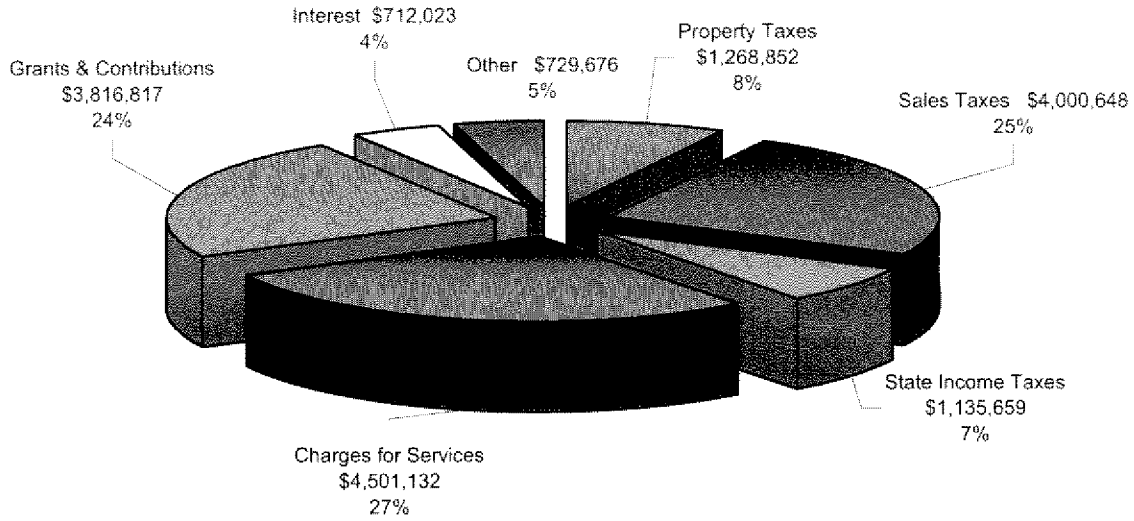
(All Activities)

Year Ended April 30, 2008

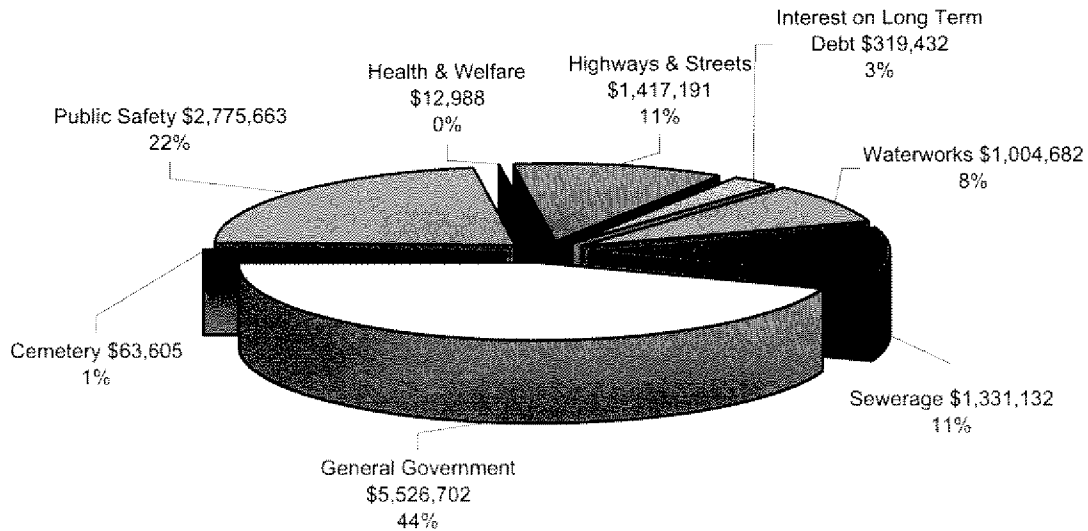
Total \$9,672,766



CITY OF WASHINGTON, ILLINOIS
Revenues
(All Activities)
Year Ended April 30, 2007
Total \$16,164,807



Expenses
(All Activities)
Year Ended April 30, 2007
Total \$12,451,395



BASIC FINANCIAL STATEMENTS

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET ASSETS
APRIL 30, 2008

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2007 (Memorandum Only)
Cash and cash equivalents	\$ 8,761,123	\$ 5,573,680	\$ 14,334,803	\$ 11,407,187
Investments	-	639,561	639,561	628,921
Receivables (net of allowance for uncollectibles)				
Property taxes	1,491,878	-	1,491,878	1,266,850
Other taxes	1,476,352	-	1,476,352	1,341,697
Special assessments	355,172	-	355,172	409,154
Accounts - customers	1,250	24,325	25,575	30,085
Estimated unbilled usage	-	572,011	572,011	626,727
Interest	-	2,436	2,436	2,618
Other	74,498	18,277	92,775	76,954
Internal balances	(87,017)	87,017	-	-
Due from fiduciary funds	-	2,419	2,419	2,348
Prepaid items	123,436	34,273	157,709	135,438
Restricted assets				
Cash and cash equivalents	688,212	741,475	1,429,687	2,995,168
Bond costs, net of accumulated amortization	102,497	-	102,497	107,378
Capital assets not being depreciated	894,655	657,644	1,552,299	2,145,024
Capital assets, net of accumulated depreciation	17,655,466	21,063,604	38,719,070	32,147,095
	<u>\$ 31,537,522</u>	<u>\$ 29,416,722</u>	<u>\$ 60,954,244</u>	<u>\$ 53,322,644</u>

See accompanying notes.

LIABILITIES AND NET ASSETS				
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2007 (Memorandum Only)
LIABILITIES				
Accounts payable and accrued liabilities	\$ 708,099	\$ 122,520	\$ 830,619	\$ 1,340,926
Construction retainage payable	29,600	6,073	35,673	546,437
Escrow and customer deposits	-	224,600	224,600	224,775
Deferred revenue	54,849	-	54,849	31,570
Long-term liabilities:				
Due within one year	353,716	260,684	614,400	596,263
Due in more than one year	7,154,801	2,390,143	9,544,944	10,053,857
Total liabilities	8,301,065	3,004,020	11,305,085	12,793,828
NET ASSETS				
Invested in capital assets, net of related debt	11,403,305	19,131,180	30,534,485	29,421,570
Restricted for:				
Debt service	511,433	444,630	956,063	1,091,395
Other purposes	650,000	296,845	946,845	2,342,897
Unrestricted	10,671,719	6,540,047	17,211,766	7,672,954
Total net assets	23,236,457	26,412,702	49,649,159	40,528,816
	\$ 31,537,522	\$ 29,416,722	\$ 60,954,244	\$ 53,322,644

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2008**

FUNCTION/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES	
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	\$ 2,002,000	\$ 440,434	\$ -	\$ -
Public safety	2,905,032	108,714	57,562	42,315
Highways and streets	1,843,887	4,759	15,780	3,904,482
Health and welfare	13,724	-	-	-
Cemetery	55,355	62,350	-	-
Interest on long term debt	325,365	-	-	-
Total governmental activities	7,145,363	616,257	73,342	3,946,797
Business-type activities:				
Waterworks	1,053,346	1,263,438	-	618,328
Sewerage	1,474,057	2,413,340	-	1,410,973
Total business-type activities	2,527,403	3,676,778	-	2,029,301
TOTAL	\$ 9,672,766	\$ 4,293,035	\$ 73,342	\$ 5,976,098

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	2007 (Memorandum Only)
\$	(1,561,566)	\$ -	\$ (1,561,566)	\$ (4,894,642)
	(2,696,441)	-	(2,696,441)	(2,607,244)
	2,081,134	-	2,081,134	802,327
	(13,724)	-	(13,724)	(12,988)
	6,995	-	6,995	12,345
	(325,365)	-	(325,365)	(319,432)
	(2,508,967)	-	(2,508,967)	(7,019,634)
	-	828,420	828,420	795,938
	-	2,350,256	2,350,256	1,911,804
	-	3,178,676	3,178,676	2,707,742
	(2,508,967)	3,178,676	669,709	(4,311,892)
General Revenues				
Taxes:				
Property	1,491,853	-	1,491,853	1,268,852
Replacement	61,383	-	61,383	55,446
Sales	4,213,619	-	4,213,619	4,000,648
State income	1,240,547	-	1,240,547	1,135,659
Other local	382,338	-	382,338	359,147
Motor fuel	377,601	-	377,601	392,554
Interest on investments	357,162	218,094	575,256	712,023
Gain on sale of capital assets	1,596	-	1,596	7,500
Other	78,030	28,411	106,441	93,475
Transfers	(204,967)	204,967	-	-
Total general revenues and transfers	7,999,162	451,472	8,450,634	8,025,304
Change in net assets	5,490,195	3,630,148	9,120,343	3,713,412
NET ASSETS - BEGINNING, RESTATED	17,746,262	22,782,554	40,528,816	36,815,404
NET ASSETS - ENDING	\$ 23,236,457	\$ 26,412,702	\$ 49,649,159	\$ 40,528,816

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2008**

	General	Illinois Municipal Retirement	Incremental Tax	Cruger Road Improvement	Other	Total	2007 (Memorandum Only)
ASSETS							
Cash and cash equivalents	\$ 5,178,505	\$ 191,868	\$ 1,096,034	\$ -	\$ 935,256	\$ 7,401,663	\$ 6,503,686
Receivables (net of allowance for uncollectibles)							
Property taxes	591,999	385,013	406,888	-	107,978	1,491,878	1,266,850
Other taxes	1,474,750	1,602	-	-	-	1,476,352	1,341,697
Special assessments	-	-	-	-	47,578	47,578	53,982
Accounts-customers	-	-	-	-	1,250	1,250	6,950
Other	43,556	-	-	-	-	43,556	20,226
Due from other funds	13,637	-	9,535	-	5,624	28,796	51,383
Due from other governments	-	-	-	-	29,475	29,475	31,286
Prepaid items	71,309	-	-	-	48,443	119,752	100,122
Restricted assets							
Cash and cash equivalents	278,654	-	-	-	409,558	688,212	2,266,476
	<u>\$ 7,652,410</u>	<u>\$ 578,483</u>	<u>\$ 1,512,457</u>	<u>\$ -</u>	<u>\$ 1,585,162</u>	<u>\$ 11,328,512</u>	<u>\$ 11,642,658</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2008**

	General	Illinois Municipal Retirement	Incremental Tax	Cruger Road Improvement	Other	Total	2007 (Memorandum Only)
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 248,095	\$ 26,623	\$ 7,186	\$ 187,343	\$ 7,967	\$ 477,214	\$ 800,630
Construction retainage payable	29,600	-	-	-	-	29,600	541,187
Due to other funds	11,657	-	146	-	2,690	14,493	100,921
Deferred revenue	625,269	385,013	406,888	-	177,135	1,594,305	1,346,559
Total liabilities	914,621	411,636	414,220	187,343	187,792	2,115,612	2,789,297
Fund balances							
Reserved for:							
drug enforcement	2,514	-	-	-	-	2,514	2,224
alcohol enforcement	11,446	-	-	-	-	11,446	6,962
police fundraiser	562	-	-	-	-	562	82
police DARE	5,741	-	-	-	-	5,741	5,724
road improvement	104,369	-	-	-	-	104,369	123,371
police vehicle seizure	24,850	-	-	-	-	24,850	33,687
police vehicle seizure forfeiture	21,297	-	-	-	-	21,297	33,985
bond debt service	101,875	-	-	-	-	101,875	103,696
other	6,000	-	-	-	-	6,000	1,413,822
Unreserved	6,459,135	166,847	1,098,237	(187,343)	1,397,370	8,934,246	7,129,808
Total fund balances	6,737,789	166,847	1,098,237	(187,343)	1,397,370	9,212,900	8,853,361
	<u>\$ 7,652,410</u>	<u>\$ 578,483</u>	<u>\$ 1,512,457</u>	<u>\$ -</u>	<u>\$ 1,585,162</u>	<u>\$ 11,328,512</u>	<u>\$ 11,642,658</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2008**

RECONCILIATION TO STATEMENT OF NET ASSETS

Total fund balances - governmental funds	\$ 9,212,900
Capital assets used in governmental activities of \$20,225,411, net of accumulated depreciation of \$2,282,503 are not financial resources and, therefore, are not reported in the governmental funds.	17,942,908
Property taxes are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,491,878
Internal service funds are used to account for the financing of goods or services by one department to other departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	1,776,339
Long term liabilities, accrued interest and compensation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(7,645,237)
Special assessment capital debt obligations are recorded as capital debt proceeds in the governmental funds, but the proceeds create current and long-term receivables and long-term liabilities in the Statement of Net Assets.	355,172
Bond costs of \$112,259, net of accumulated amortization of \$9,762, are recorded as expenditures in the governmental funds, but the cost creates a capitalizable asset which must be expensed over the life of the bond.	<u>102,497</u>
Net assets of governmental activities.	<u>\$ 23,236,457</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2008

	General	Illinois Municipal Retirement	Incremental Tax	Cruger Road Improvement	Other	Total	2007 (Memorandum Only)
REVENUES							
Property taxes	\$ 444,167	\$ 353,058	\$ 373,406	\$ -	\$ 143,772	\$ 1,314,403	\$ 1,214,439
Licenses and permits	305,427	-	-	-	-	305,427	288,304
Intergovernmental	5,881,638	16,249	-	-	377,601	6,275,488	5,943,454
Grant proceeds	61,180	-	-	1,137,419	-	1,198,599	201,974
Charges for services	60,229	-	-	-	62,350	122,579	135,897
Fines and forfeitures	137,215	-	-	-	-	137,215	150,832
Special projects	107,721	-	-	-	-	107,721	105,769
Interest	226,364	10,793	48,704	-	40,480	326,341	478,410
Special assessments	-	-	-	-	-	-	5,843
Other	32,778	-	1,834	-	38,444	73,056	92,301
	7,256,719	380,100	423,944	1,137,419	662,647	9,860,829	8,617,223
EXPENDITURES							
Current							
General government	1,358,553	406,708	118,146	-	104,155	1,987,562	5,626,406
Public safety	2,870,018	-	-	-	19,306	2,889,324	2,768,965
Highways and streets	1,136,465	-	-	-	48,700	1,185,165	983,571
Health and welfare	13,724	-	-	-	-	13,724	12,988
Cemetery	-	-	-	-	48,777	48,777	57,525
Capital outlay	163,205	-	36,900	1,742,796	471,475	2,414,376	899,361
Debt service							
Principal	-	-	-	-	268,177	268,177	285,172
Interest	-	-	-	-	489,218	489,218	110,121
	5,541,965	406,708	155,046	1,742,796	1,449,808	9,296,323	10,744,109
Excess (deficiency) of revenues over expenditures	1,714,754	(26,608)	268,898	(605,377)	(787,161)	564,506	(2,126,886)
OTHER FINANCING SOURCES (USES)							
Transfers in	12,700	70,000	-	419,415	832,646	1,334,761	1,276,137
Transfers out	(1,322,987)	-	(215,251)	-	(1,490)	(1,539,728)	(1,829,864)
Bond issuance	-	-	-	-	-	-	5,000,000
Bond premium	-	-	-	-	-	-	428,165
Total other financing sources (uses)	(1,310,287)	70,000	(215,251)	419,415	831,156	(204,967)	4,874,438
Net change in fund balances	404,467	43,392	53,647	(185,962)	43,995	359,539	2,747,552
FUND BALANCES, BEGINNING OF YEAR	6,333,322	123,455	1,044,590	(1,381)	1,353,375	8,853,361	6,105,809
FUND BALANCES, END OF YEAR	\$ 6,737,789	\$ 166,847	\$ 1,098,237	\$ (187,343)	\$ 1,397,370	\$ 9,212,900	\$ 8,853,361

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2008

RECONCILIATION TO STATEMENT OF ACTIVITIES

Net change in fund balances - governmental funds	\$ 359,539
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases capitalized	2,414,376
Depreciation expense	<u>(764,290)</u>
	1,650,086
Capital contributions made to the City that are not recorded as proceeds in the governmental fund, but are reported in the Statement of Activities.	2,758,089
The net effect on a transaction involving the sale of a capital asset	(3,641)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital debt obligation principal payments	268,177
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	176,890
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	87,700
Internal service funds are used to account for the financing of goods or services by one department to other departments of the City. The net revenue of certain activities of internal service funds is reported with governmental activities in the Statement of Activities.	163,289
Amortization of bond costs are recorded as expenditures in the governmental funds in the year of issuance, but the costs create a capitalizable asset which must be expensed over the life of the bond.	(4,881)
Amortization of capital debt premium is recorded as a revenue in the governmental funds in the year of issuance, but the premium creates a capitalizable liability which must be amortized over the life of the debt.	<u>34,947</u>
	<u>5,130,656</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 5,490,195</u></u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
APRIL 30, 2008**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2007 (Memorandum Only)
ASSETS	Waterworks	Sewerage	Total		
Current assets					
Cash and cash equivalents	\$ 2,268,560	\$ 3,305,120	\$ 5,573,680	\$ 1,359,460	\$ 4,903,503
Investments	242,716	396,845	639,561	-	628,919
Receivables (net of allowance for uncollectibles)					
Accounts - customers	2,650	21,675	24,325	-	23,135
Estimated unbilled usage	213,484	358,527	572,011	-	626,727
Interest	731	1,705	2,436	-	2,618
Other	-	18,277	18,277	1,467	25,442
Due from other funds	27,015	2,419	29,434	-	94,363
Prepaid items	14,453	19,820	34,273	3,684	35,316
Restricted assets					
Cash and cash equivalents	8,345	733,130	741,475	-	728,692
Total current assets	2,777,954	4,857,518	7,635,472	1,364,611	7,068,715
Capital assets, net of accumulated depreciation	9,315,131	12,406,117	21,721,248	607,213	20,753,745
Total assets	\$ 12,093,085	\$ 17,263,635	\$ 29,356,720	\$ 1,971,824	\$ 27,822,460

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
APRIL 30, 2008**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2007 (Memorandum Only)
	Waterworks	Sewerage	Total		
LIABILITIES AND NET ASSETS					
Current liabilities					
Current maturities of long term debt	\$ 7,480	\$ 224,357	\$ 231,837	\$ -	\$ 226,555
Accounts payable and accrued liabilities	48,440	74,080	122,520	90,873	275,877
Accrued compensated absences	11,195	17,652	28,847	1,694	31,246
Retainage payable	6,073	-	6,073	-	5,250
Due to other funds	-	37,816	37,816	3,502	42,477
Customer deposits	224,600	-	224,600	-	224,775
Total current liabilities	297,788	353,905	651,693	96,069	806,180
Noncurrent liabilities					
Accrued compensated absences	17,303	14,609	31,912	1,598	30,608
IEPA loan payable, net of current maturities	-	1,591,671	1,591,671	-	1,744,468
Bonds payable, net of current maturities	67,745	698,815	766,560	-	845,600
Total noncurrent liabilities	85,048	2,305,095	2,390,143	1,598	2,620,676
Total liabilities	382,836	2,659,000	3,041,836	97,667	3,426,856
Net assets					
Invested in capital assets, net of related debt	9,239,906	9,891,274	19,131,180	607,213	17,937,122
Restricted for:					
IEPA loan debt service	-	380,802	380,802	-	379,802
Bond debt service	8,345	55,483	63,828	-	64,974
Other	-	296,845	296,845	-	283,916
Unrestricted	2,461,998	3,980,231	6,442,229	1,266,944	5,729,790
Total net assets	11,710,249	14,604,635	26,314,884	1,874,157	24,395,604
	<u>\$ 12,093,085</u>	<u>\$ 17,263,635</u>		<u>\$ 1,971,824</u>	<u>\$ 27,822,460</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			97,818		
Net assets of business-type activities			<u>\$ 26,412,702</u>		

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2007 (Memorandum Only)
	Waterworks	Sewerage	Total		
OPERATING REVENUES					
Metered sales	\$ 1,010,659	\$ 1,457,347	\$ 2,468,006	\$ -	\$ 2,343,840
Charges for services	212,253	955,993	1,168,246	1,189,558	2,456,611
Employee contributions	-	-	-	57,130	60,313
Other	25,692	2,720	28,412	18,459	31,148
	<u>1,248,604</u>	<u>2,416,060</u>	<u>3,664,664</u>	<u>1,265,147</u>	<u>4,891,912</u>
OPERATING EXPENSES					
General and administrative	-	-	-	23,661	21,677
Personal services	364,451	503,317	867,768	699,617	1,562,607
Heat, light, and power	134,151	197,371	331,522	-	278,307
Materials and supplies	106,647	15,134	121,781	148,792	228,146
Other services and charges	160,433	240,759	401,192	63,835	412,998
Depreciation	301,944	451,684	753,628	154,245	853,991
	<u>1,067,626</u>	<u>1,408,265</u>	<u>2,475,891</u>	<u>1,090,150</u>	<u>3,357,726</u>
Operating income	<u>180,978</u>	<u>1,007,795</u>	<u>1,188,773</u>	<u>174,997</u>	<u>1,534,186</u>
NONOPERATING (REVENUES) EXPENSES					
Interest income	(80,951)	(137,143)	(218,094)	(30,821)	(233,615)
Rental income	(40,526)	-	(40,526)	-	(19,548)
Interest and fiscal agent fee expense	3,603	91,174	94,777	-	102,666
Grant proceeds	-	(2,485)	(2,485)	-	(15,792)
Gain on sale of equipment	-	-	-	(735)	(7,500)
	<u>(117,874)</u>	<u>(48,454)</u>	<u>(166,328)</u>	<u>(31,556)</u>	<u>(173,789)</u>
Net income before capital contributions and transfers	298,852	1,056,249	1,355,101	206,553	1,707,975
CAPITAL CONTRIBUTIONS FROM DEVELOPERS	618,328	1,408,488	2,026,816	-	1,373,428
TRANSFERS IN (OUT), NET	<u>208,556</u>	<u>(3,589)</u>	<u>204,967</u>	<u>-</u>	<u>553,727</u>
Change in net assets	1,125,736	2,461,148	3,586,884	206,553	3,635,130
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>10,584,513</u>	<u>12,143,487</u>		<u>1,667,604</u>	<u>20,760,474</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 11,710,249</u>	<u>\$ 14,604,635</u>		<u>\$ 1,874,157</u>	<u>\$ 24,395,604</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>43,264</u>		
Change in net assets of business-type activities			<u>\$ 3,630,148</u>		

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2008**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2007 (Memorandum Only)
	Waterworks	Sewerage	Total		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,269,762	\$ 2,448,428	\$ 3,718,190	\$ 750,425	\$ 4,345,402
Receipts from interfund services provided	-	-	-	522,905	494,400
Payments to suppliers	(382,423)	(538,546)	(920,969)	(900,156)	(1,837,803)
Payments to employees	(354,413)	(482,302)	(836,715)	(66,797)	(877,581)
Receipt of utility customer deposits	61,500	-	61,500	-	33,226
Refunds of utility customer deposits	(61,675)	-	(61,675)	-	(11,776)
Net cash provided by operating activities	532,751	1,427,580	1,960,331	306,377	2,145,868
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
(Advances to) repayments from other funds	28,000	36,929	64,929	(1,159)	(57,620)
Transfers from (to) other funds	208,556	(3,589)	204,967	-	553,727
Net cash provided by (used in) noncapital and related financing activities	236,556	33,340	269,896	(1,159)	496,107
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(303,395)	(74,666)	(378,061)	(71,088)	(1,008,730)
Proceeds from sale of equipment	-	-	-	735	7,500
Principal paid on bond and loan maturities	(7,480)	(219,075)	(226,555)	-	(220,915)
Interest paid on bonds and loans	(3,751)	(93,286)	(97,037)	-	(104,877)
Net cash used in capital and related financing activities	(314,626)	(387,027)	(701,653)	(70,353)	(1,327,022)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	80,911	137,365	218,276	30,821	235,850
Rental income received	40,526	-	40,526	-	19,548
Proceeds from sale/maturity of investments	247,336	399,180	646,516	-	302,329
Purchase of investments	(246,816)	(410,340)	(657,156)	-	(295,898)
Net cash provided by investing activities	121,957	126,205	248,162	30,821	261,829
NET CHANGE IN CASH AND CASH EQUIVALENTS	576,638	1,200,098	1,776,736	265,686	1,576,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,700,267	2,838,152	4,538,419	1,093,774	4,055,411
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,276,905</u>	<u>\$ 4,038,250</u>	<u>\$ 6,315,155</u>	<u>\$ 1,359,460</u>	<u>\$ 5,632,193</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2008**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2007 (Memorandum Only)
	Waterworks	Sewerage	Total		
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 180,978	\$ 1,007,795	\$ 1,188,773	\$ 174,997	\$ 1,534,186
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	301,944	451,684	753,628	154,245	853,991
(Increase) decrease in usage receivable	19,201	35,515	54,716	-	(48,695)
(Increase) decrease in other receivables	1,957	(3,147)	(1,190)	8,183	(3,415)
Increase in prepaid items	(527)	(1,746)	(2,273)	(368)	(10,354)
Increase (decrease) in accounts payable and accrued liabilities	29,265	(64,916)	(35,651)	(31,197)	(207,778)
Increase (decrease) in accrued compensated absences	(715)	2,395	1,680	517	3,983
Increase in retainage payable	823	-	823	-	2,500
Increase (decrease) in customer deposits	(175)	-	(175)	-	21,450
 Net cash provided by operating activities	 \$ 532,751	 \$ 1,427,580	 \$ 1,960,331	 \$ 306,377	 \$ 2,145,868

SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED ACTIVITIES

In fiscal year 2008, the Waterworks fund and the Sewerage fund received contributed property and equipment from developers of \$618,328 and \$1,408,488, respectively.

**PRESENTATION OF CASH AND CASH EQUIVALENTS ON THE
STATEMENT OF NET ASSETS PROPRIETARY FUNDS**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Waterworks	Sewerage	Total	
Cash and cash equivalents	\$ 2,268,560	\$ 3,305,120	\$ 5,573,680	\$ 1,359,460
Restricted cash and cash equivalents	8,345	733,130	741,475	-
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ 2,276,905	 \$ 4,038,250	 \$ 6,315,155	 \$ 1,359,460

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
APRIL 30, 2008**

	<u>Pension Trust</u>	<u>Agency Special</u>		<u>2007</u>
	<u>Police</u>	<u>Assessment</u>		<u>(Memorandum</u>
	<u>Pension</u>	<u>Collection</u>	<u>Total</u>	<u>Only)</u>
ASSETS				
Cash and cash equivalents	\$ 279,277	\$ -	\$ 279,277	\$ 163,373
Investments	4,606,588	-	4,606,588	4,583,339
Receivables (net of allowance for uncollectibles)				
Employer contribution	137,082	-	137,082	116,077
Interest	9,744	-	9,744	11,362
Other	17,928	2,419	20,347	2,348
	<u>\$ 5,050,619</u>	<u>\$ 2,419</u>	<u>\$ 5,053,038</u>	<u>\$ 4,876,499</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 635	\$ -	\$ 635	\$ 52
Escrow deposits	-	-	-	4,526
Due to other associations	-	-	-	398
Due to other funds	-	2,419	2,419	2,348
Total liabilities	<u>635</u>	<u>2,419</u>	<u>3,054</u>	<u>7,324</u>
Fund balances				
Reserved for police pension benefits	<u>5,049,984</u>	<u>-</u>	<u>5,049,984</u>	<u>4,869,175</u>
Total fund balances	<u>5,049,984</u>	<u>-</u>	<u>5,049,984</u>	<u>4,869,175</u>
	<u>\$ 5,050,619</u>	<u>\$ 2,419</u>	<u>\$ 5,053,038</u>	<u>\$ 4,876,499</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
TRUST FUND
YEAR ENDED APRIL 30, 2008

	<u>Pension Trust</u>	
	Police Pension	2007 (Memorandum Only)
Additions		
Contributions		
Plan members' contributions	\$ 111,773	\$ 79,531
Employer contributions	142,170	121,431
Other	419	-
Investment earnings		
Investment income	212,788	167,112
Net gain in fair value of investments	-	186,233
	<u>467,150</u>	<u>554,307</u>
Deductions		
Benefits paid	184,557	194,277
Administrative expenses	914	59,863
Net decline in fair value of investments	100,870	-
	<u>286,341</u>	<u>254,140</u>
Change in net assets	180,809	300,167
Net assets		
Beginning of year	<u>4,869,175</u>	<u>4,569,008</u>
End of year	<u>\$ 5,049,984</u>	<u>\$ 4,869,175</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED APRIL 30, 2008

	Balance				Balance
	April 30, 2007	Additions	Deductions		April 30, 2008
ESCROW FUND					
ASSETS					
Cash	\$ 4,526	\$ 9	\$ 4,535	\$	-
LIABILITIES					
Escrow deposits	\$ 4,526	\$ 9	\$ 4,535	\$	-
SPECIAL ASSESSMENT COLLECTION FUND					
ASSETS					
Cash	\$ -	\$ 445	\$ 445	\$	-
Due from property owners	2,348	516	445		2,419
	\$ 2,348	\$ 961	\$ 890	\$	2,419
LIABILITIES					
Due to other funds	\$ 2,348	\$ 516	\$ 445	\$	2,419
POLICE BOND REMITTANCE FUND					
ASSETS					
Cash	\$ -	\$ 23,200	\$ 23,200	\$	-
LIABILITIES					
Due to other governmental entities	\$ -	\$ 23,200	\$ 23,200	\$	-
EMERGENCY ASSISTANCE FUND					
ASSETS					
Cash	\$ 398	\$ -	\$ 398	\$	-
LIABILITIES					
Due to Washington Ministerial Association	\$ 398	\$ -	\$ 398	\$	-
TOTAL - ALL AGENCY FUNDS					
ASSETS					
Cash	\$ 4,924	\$ 23,654	\$ 28,578	\$	-
Due from property owners	2,348	516	445		2,419
	\$ 7,272	\$ 24,170	\$ 29,023	\$	2,419
LIABILITIES					
Due to other funds	\$ 2,348	\$ 516	\$ 445	\$	2,419
Due to other governmental entities	-	23,200	23,200		-
Due to Washington Ministerial Association	398	-	398		-
Escrow deposits	4,526	9	4,535		-
	\$ 7,272	\$ 23,725	\$ 28,578	\$	2,419

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Washington, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Nature of Operations

The City of Washington, located in Central Illinois, provides a broad range of services to citizens, including general government, public safety, streets, and the water and sewer utilities. Revenues are substantially generated as a result of taxes assessed and allocated to the City (examples would be property, sales, income, and motor fuel taxes), charges for services performed, and governmental grants. Revenues are therefore dependent on the economy within the territorial boundaries of the City and nearby surrounding area and the appropriations of grant entitlements at the federal/state government level. Taxable industry within the area is primarily retail. The surrounding area has a substantial agricultural base.

B. Financial Reporting Entity

Generally accepted accounting principles require the financial reporting entity to include the primary government and other organizations for which the primary government is financially accountable (component units). Financial accountability includes the primary government's ability to appoint a voting majority of the organization's governing body, the ability to impose will on an organization, and if an organization is fiscally dependent on the primary government. Based on this guidance, management has determined there are no component units required to be included in the City's basic financial statements.

C. Basis of Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The statement established a new reporting model for governments that is substantially different from prior reporting standards. The new reporting model includes the following segments:

Management's Discussion and Analysis – Provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

Government wide financial statements – The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Required supplementary information – Budgetary comparison schedules are presented. The original budget for revenues and expenditures is presented in comparison with the actual final budgetary revenues and expenditures.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City and always classified as a major fund. It is used to account for all financial resources and expenditures not required by law or contractual agreement to be accounted for in another fund. The General Fund expenditures include corporate, city hall, street, police, tourism and economic development, zoning operations, and fire and rescue subsidies.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources used to finance specified activities, as required by law or administrative regulation. The City maintains the following special revenue funds:

Cemetery Fund - Accounts for the operations of the municipal cemetery. Revenue is derived principally from sale of lots and interment fees.

Civil Defense Fund – Accounts for the operations of the City’s program in connection with the “Illinois Emergency Services and Disaster Agency Act of 1975.” Financing is provided through property taxes with the purpose to pay those costs which may be necessary or proper to prevent, minimize, repair and alleviate injury, loss of life, or property damage resulting from disasters caused by flood, earthquake, extended periods of severe and inclement weather, etc.

Audit Fund – Accounts for the cost of the annual audit of the City’s financial statements.

Motor Fuel Tax Fund – Accounts for the state motor fuel tax revenue collected by the City and used in connection with the highway construction and maintenance projects of the City as authorized by the Illinois Department of Transportation.

Illinois Municipal Retirement Fund – Accounts for the expenditures related to the City’s participation in the Illinois Municipal Retirement Fund system. The Illinois Municipal Retirement Fund is reported as a major fund.

Incremental Tax Fund – Accounts for the revenue and expenditures related to tax increment designated areas within the City. The Incremental Tax Fund is reported as a major fund.

Liability Insurance Fund – Accounts for the cost of insurance premiums and tort judgments or settlements of the City.

Storm Water Management Fund - Accounts for the revenue and expenditures in connection with storm water management.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest, and related costs. The City maintains the following debt service funds:

South Wood Street Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the South Wood Street area.

Kern Road Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the Kern Road area.

Cruger Road Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the Cruger Road area.

South Cummings Lane Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the South Cummings Lane area.

Mallard Crossing Fund - Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the Mallard Crossing area.

Washington Area Community Center (WACC) Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for the Washington Area Community Center project.

Capital Projects Funds – Capital projects funds are used to account for general construction or renovation projects being carried out by the City which are not financed by proprietary or trust funds. The City maintains the following capital projects funds:

Cruger Road Improvement Fund – To account for the reconstruction of Cruger Road. The Cruger Road Improvement Fund is reported as a major fund.

Muller Road Improvement Fund – To account for the reconstruction of Muller Road.

Dallas Road Improvement Fund – To account for the reconstruction of Dallas Road.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains the following enterprise funds, which are reported as major funds:

Waterworks Fund – To account for the water service to the residents of the City. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund's fixed assets) and provide for a net income to finance the continued operations of the system.

Sewerage Fund – To account for the sewer services to the residents of the City. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund's fixed assets) and provide for a net income to finance the continued operations of the system.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City maintains the following internal service funds:

Employees' Benefit Fund – Accounts for the City's self-insured health plan. The purpose of the Fund is to pay medical claims of the City's employees and their covered dependents and to minimize the total cost of the annual insurance to the City.

Motor Equipment Replacement Fund – Provides for the maintenance and repair of motorized equipment and vehicles used in the operations of City services. Revenue is from rental charges to user departments. Expenses include cost of labor, material, supplies, and services.

Fiduciary Funds

Pension Trust Fund – The Police Pension Fund accounts for the accumulation of resources to be used for the payment of retirement benefits to the City police.

Agency Funds – Agency funds are used to account for assets held by the City in a custodial capacity (i.e., assets equal liabilities). Agency funds do not involve the measurement of results of operations. The City maintains the following agency funds:

Escrow Fund – To account for the assets and liabilities related to potential real estate development.

Special Assessment Collection Fund – To account for the assets and liabilities related to certain special assessment projects.

Police Bond Remittance Fund – To account for bond monies collected by the police department and remitted to the Circuit Clerk.

Emergency Assistance Fund – To account for assets and liabilities related to aid for transient individuals.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting, as defined in Basis of Accounting below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. Governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 75 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

E. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified accrual basis of accounting, which is the same basis that is used in the fund financial reporting. This allows for comparability between budget and actual amounts. The budget was passed on April 16, 2007. An amended budget was passed on April 21, 2008.

For each fund, total fund expenditures may not legally exceed the budgeted expenditures. Unexpended budgeted amounts lapse at the end of each fiscal year. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at the line item level. Encumbrances accounting is not employed.

The City adopts its annual budget in accordance with Chapter 65, Paragraph 5/8-2-9.4 of the Illinois Compiled Statutes, as follows:

- (1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to May 1, the budget is legally adopted through passage of an ordinance.
- (4) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items. No revision of the budget can be made increasing the budget in the event funds are not available.

The City also adopts an informal operating budget for proprietary funds containing estimated revenues and expenditures, which is used as a management control device.

F. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short term investments with an original maturity of three months or less.

G. Investments

Investments classified in the financial statements consist of certificates of deposit whose original maturity exceeds three months and Police Pension Trust Fund investments, including federal agency notes, mutual funds, certificates of deposit and annuities. Investments are stated at fair value.

The City's investment policy is to invest in allowable investments under the Illinois Compiled Statutes. These include (a) interest-bearing savings accounts and certificates of deposit and (b) bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America. In addition to the investments listed above, the City's police pension trust fund may also invest in various money market mutual funds, short-term corporate obligations, and diversified portfolios managed by life insurance companies or registered investment companies within the guidelines established under Section 1-113 of Article 5 of the Illinois Pension Code.

H. Real Estate Taxes

Real estate taxes are a lien on individual properties from January 1 in the year in which the taxes are levied. The levy must be filed with the County Clerk by the last Tuesday in December each year. The tax levy for amounts received in the fiscal year ended April 30, 2008 was passed December 18, 2006. Due dates, by statute, are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. Restricted Assets

Cash and investments have been restricted for the various purposes for which equity has been reserved in the respective funds of the City.

K. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Contributed or donated assets are carried at their estimated market value as of the date received. Prior to May 1, 2004 governmental funds infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and capitalization threshold by type of asset is as follows:

	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Buildings	20-50 years	\$10,000
Land improvements	20 years	\$10,000
Water and sewer systems	10-60 years	\$10,000
Equipment	3-50 years	\$1,000
Infrastructure	20-50 years	\$10,000

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

L. Compensated Absences

The City's sick leave policy allows for twelve sick days per year. Employees with unused sick leave accumulated prior to January 1, 1992, may carry forward up to 30 days and will be paid for unused hours remaining upon an employee's retirement or separation from City service at the employee's hourly rate of pay in effect on December 31, 1991. Sick leave accumulated since December 31, 1991 and not covered by the terms of the police officer's collective bargaining agreement does not vest. For employees covered by the police officer's collective bargaining agreement, sick leave accumulates at their current hourly rate.

The City's vacation policy allows each regular full-time employee assigned to a position classification of a range lower than 90 within the City's position classification system, and not otherwise covered by the terms of a collective bargaining agreement, to earn two weeks of vacation after one year of service and one additional day for each year of service in excess of six years, up to a maximum vacation time of five weeks. Each regular full-time employee assigned to a position classification of a range 90 or above earns two weeks of vacation after one year of service and up to five years of service, three weeks of vacation from five to ten years of service, four weeks of vacation from eleven to fifteen years of service, and five weeks of vacation for sixteen and more years of service. For employees with up to 15 years of service, up to one week of vacation may be carried over to the following year. Employees with 15 or more years of service may carry two weeks of vacation over to the following year. Upon termination, an employee is entitled to be paid for any vested vacation from the prior year and a prorated share of the current year's vacation.

On May 7, 2007, the City Council passed an ordinance to amend the personnel manual to provide for non-union part-time employee leave. The employee must have worked 1,000 hours in the prior year to qualify. The employee will receive up to 80 hours of paid leave based on the ratio of total hours worked by the employee to 2,080 hours.

As of April 30, 2008, the liability for vested employee sick leave and vacation compensation for City employees totals \$422,460.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

N. Long Term Debt

In the government-wide statements, and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets.

Long term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

O. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- (1) Invested in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted net assets - Net assets with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The governmental activities column of the government wide statement of net assets reports \$650,000 of restricted net assets for other purposes. Of this amount, \$473,221 is restricted by enabling legislation related to the audit fund and the motor fuel fund, \$104,369 is restricted for roadway improvements, \$66,410 is restricted for drug and alcohol enforcement, police fundraising, education, vehicle seizures and miscellaneous other police purposes and \$6,000 is restricted for construction projects.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Reserves for bond debt service in the General Fund and the Enterprise Funds have been established to provide for certain restricted accounts as required by bond ordinances. These restrictions are described at Note 4.

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government – Licenses, permits, fees, and fines.

Public Safety - Fine revenue, reimbursement for school activities, specific donations, and grants from the US Departments of Justice and Transportation and the Illinois Liquor Control Commission.

Highways and Streets - Reimbursements and grants received from the Illinois Department of Transportation.

Cemetery – Grave sites, interment fees and footings.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Q. Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods/and or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

R. Interfund Balances and Activities

Short-term amounts owed between funds are classified as “due to/from other funds”, representing expenditures paid by one fund on behalf of the other. Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers-internal activities.

S. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2. CASH AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 40 "*Deposit and Investment Risk Disclosures*" established and modified disclosure requirements related to investment and deposit risks effective for the City as of April 30, 2006. Investment risks include: credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. Deposit risks include: custodial credit risk and foreign currency risk. The disclosure as required under GASB 40 for April 30, 2008 is presented as follows.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposit policy provides that all deposits be guaranteed by the U.S. government, insured by the Federal Deposit Insurance Corporation (FDIC), or fully collateralized with securities held by the City or its agent in the City's name or by its counterparty's trust department or agent in the City's name.

The City's cash and cash equivalents at April 30, 2008 consisted of deposits with financial institutions and the Illinois Funds Money Market Fund. The Illinois Funds have a credit rating of AAAM, by an independent rating agency, indicating a strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks. The Illinois Funds Money Market Funds have weighted average days to maturity of 7 days.

The monies invested in the Illinois Funds by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

At April 30, 2008, all the City's deposits, excluding \$5,530 in cash on hand, were covered by federal depository insurance, by collateral held by the financial institution's trust department or agent in the City's name, or invested in Illinois Funds Money Market Fund.

The following is a reconciliation of cash and cash equivalents at April 30, 2008:

	<u>Carrying Amount</u>
Illinois Funds	\$ 14,399,850
Money market funds	1,192,487
Checking and savings	445,900
Cash on hand	<u>5,530</u>
Total cash and cash equivalents	<u>\$ 16,043,767</u>

The deposits are reflected on the financial statements at April 30, 2008 as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 14,334,803
Restricted assets – cash and cash equivalents	1,429,687
Statement of fiduciary net assets:	
Cash and cash equivalents	<u>279,277</u>
	<u>\$ 16,043,767</u>

Investments

As of April 30, 2008, the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Primary Government			
Certificates of deposit	\$ 639,561	N/A	0.46
Fiduciary Fund			
Certificates of deposit	2,407,286	N/A	2.59
Federal agency notes	115,081	AAA	9.62
Mutual funds-equities	765,552	N/A	N/A
Mutual funds-diversified	171,407	AA	10.13
Annuities-equities	865,684	N/A	N/A
Annuities-diversified	<u>281,578</u>	AA	8.01
Total Fiduciary Fund investments	<u>4,606,588</u>		
Total Investments	<u>\$ 5,246,149</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

(2) Interest rate risk is estimated using the weighted average years to maturity method.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing for the Fiduciary Fund is performed in accordance with investment policies adopted by the Board of Trustees complying with Illinois Compiled Statutes. Funds shall be invested as per Illinois Pension Code Section 3-135 and by the Public Funds Investment Act (20 ILCS 235/01).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Fund's policy provides that investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities while the Fund maintains sufficient liquidity. Investment guidelines have been established for monies invested to meet approximate market rates of return on its investments, consistent with constraints established by its safety objectives, cash flow considerations, and Illinois State laws that restrict the placement of public funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy provides that investments be diversified or collateralized to avoid incurring unreasonable risks regarding specific security types and/or financial institutions. Investments are insured by FDIC insurance or collateralized with securities held by the City or its agent in the City's name.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Investments representing 5% or more of total investments at April 30, 2008 are as follows:

Heartland Bank Certificate of Deposit	\$ 296,845
Morton Community Bank Certificate of Deposit	339,475
Morton Community Bank Certificate of Deposit	270,000

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2008 was as follows:

	<u>Balance</u> <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2008</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 745,515	\$ -	\$ -	\$ 745,515
Construction in process	126,464	130,656	107,980	149,140
Total capital assets not being depreciated	871,979	130,656	107,980	894,655
Other capital assets:				
Land improvements	136,779	53,194	-	189,973
Buildings	1,578,255	-	-	1,578,255
Infrastructure	12,010,782	4,932,008	-	16,942,790
Equipment and vehicles	2,184,003	235,675	38,613	2,381,065
Total other capital assets	15,909,819	5,220,877	38,613	21,092,083
Less accumulated depreciation for:				
Land improvements	67,163	6,667	-	73,830
Buildings	560,145	31,418	-	591,563
Infrastructure	767,283	679,416	-	1,446,699
Equipment and vehicles	1,158,463	201,034	34,972	1,324,525
Total accumulated depreciation	2,553,054	918,535	34,972	3,436,617
Other capital assets, net	13,356,765	4,302,342	3,641	17,655,466
Governmental activities, net	\$ 14,228,744	\$ 4,432,998	\$ 111,621	\$ 18,550,121

	<u>Balance May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2008</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 204,676	\$ -	\$ -	\$ 204,676
Construction in process	1,068,369	38,012	653,413	452,968
Total capital assets not being depreciated	1,273,045	38,012	653,413	657,644
Other capital assets:				
Water system	10,257,566	1,572,931	-	11,830,497
Sewer system	17,266,042	1,448,952	-	18,714,994
Equipment	575,182	5,019	-	580,201
Total other capital assets	28,098,790	3,026,902	-	31,125,692
Less accumulated depreciation for:				
Water system	2,362,948	271,355	-	2,634,303
Sewer system	6,571,485	439,331	-	7,010,816
Equipment	374,027	42,942	-	416,969
Total accumulated depreciation	9,308,460	753,628	-	10,062,088
Other capital assets, net	18,790,330	2,273,274	-	21,063,604
Business-type activities, net	\$ 20,063,375	\$ 2,311,286	\$ 653,413	\$ 21,721,248

Depreciation expense was charged as follows in the Statement of Activities:

Governmental Activities:

General government	\$ 12,337
Public safety	55,238
Highways and streets	689,174
Cemetery	7,541
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	154,245

Total depreciation expense for governmental activities \$ 918,535

Business-Type Activities:

Water	\$ 301,944
Sewer	451,684

Total depreciation expense for business-type activities \$ 753,628

NOTE 4. LONG-TERM DEBT

The City's long term debt is segregated between amounts to be paid from governmental activities and amounts repaid from business type activities. The changes in the City's long-term debt for the year ended April 30, 2008 are as follows:

	<u>Balance May 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance April 30, 2008</u>	<u>Amount Due In One Year</u>
Governmental Activities:					
General obligation bonds:					
Special Assessment Bonds, Series 2005	\$ 458,000	\$ -	\$ 26,000	\$ 432,000	\$ 27,000
Alternate Revenue Source, Series 1998	262,606	-	128,257	134,349	134,349
Alternate Revenue Source, Series 2002**	661,640	-	59,840	601,800	59,840
Alternate Revenue Source, Series 2002B**	671,680	-	54,080	617,600	55,120
General Obligation Bonds, Series 2006	5,396,014	-	34,947	5,361,067	-
Vested compensated absences	324,478	37,223	-	361,701	77,407
Total Governmental Activities	<u>\$ 7,774,418</u>	<u>\$ 37,223</u>	<u>\$ 303,124</u>	<u>\$ 7,508,517</u>	<u>\$ 353,716</u>
Business-Type Activities:					
General obligation bonds:					
Alternate Revenue Source, Series 2002**	\$ 311,360	\$ -	\$ 28,160	\$ 283,200	\$ 28,160
Alternate Revenue Source, Series 2002B**	612,320	-	49,920	562,400	50,880
Illinois Environmental Protection Agency Loan	1,892,943	-	148,475	1,744,468	152,797
Vested compensated absences	59,079	1,680	-	60,759	28,847
Total Business-Type Activities	<u>\$ 2,875,702</u>	<u>\$ 1,680</u>	<u>\$ 226,555</u>	<u>\$ 2,650,827</u>	<u>\$ 260,684</u>

** These bonds were issued as Alternate Revenue Source bonds by the City, payable from various tax revenues; however, portions of the projects include improvements to the water and sewer systems. The portion of the debt related to water and sewer activities has been recorded in the Enterprise Funds.

Governmental Activities

Special Assessment Bonds

Mallard Crossing

In fiscal year 2005, the City issued Special Service Area Number One (Mallard Crossing) Unlimited Ad Valorem Tax Bonds, Series 2005 in the amount of \$500,000. These bonds are limited obligations of the City, payable solely from the collection of the special service area taxes. The special service area taxes are irrevocably pledged for the payment of principal and interest on the bonds. The bonds are secured by the full faith and credit of and levy of general property taxes on property within the special service area. The debt service requirements on these bonds are as follows:

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 27,000	4.75%	\$ 20,520	\$ 47,520
2010	29,000	4.75	19,238	48,238
2011	30,000	4.75	17,860	47,860
2012	32,000	4.75	16,435	48,435
2013	33,000	4.75	14,915	47,915
2014 to 2018	191,000	4.75	49,448	240,448
2019 to 2020	90,000	4.75	6,460	96,460
Total	<u>\$ 432,000</u>		<u>\$ 144,876</u>	<u>\$ 576,876</u>

Principal paying date: December 1

Interest paying dates: June 1 and December 1

The bond ordinance requires monies to be segregated and restricted in special restricted accounts as described below:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Principal and interest	Amount that results from deposit of property tax levy receipts less payment of principal and interest on the bonds as they become due. As of April 30, 2008, \$14,889 has been required to be accumulated.	Paying principal and interest.
Administration	Amount not to exceed \$1,000 to be deposited each year from receipts of special service area taxes. As of April 30, 2008, \$1,000 has been accumulated and transferred to the General Fund for administration of the Fund.	Paying costs and expenses related to the administration of the Special Services Fund.

The above amounts are reported as restricted cash as follows:

Debt Service Fund	<u>\$ 14,889</u>
-------------------	------------------

General Obligation Bonds – Alternate Revenue Source

In fiscal year 1999, the City issued General Obligation Bonds – Sales Taxes and Revenue Sharing Receipts, Alternate Revenue Source, Series 1998. These bonds are general obligations of the City and contain a pledge of its full faith and credit for the payment of principal and interest. The City, however, expects these bonds to be paid by sales and income taxes. The debt service requirements on these bonds are as follows:

<u>Years Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 134,349	4.75%	\$ 6,381	\$ 140,730

Principal paying date: December 1

Interest paying dates: June 1 and December 1

In fiscal year 2003, the City issued Alternate Revenue Bonds, Series 2002. These bonds are general obligations of the City and contain a pledge of its full faith and credit for the payment of principal and interest. The City, however, expects these bonds to be paid by sales and income taxes and charges for services. Portions of the project relate to improvements to the water and sewer systems and, therefore, the portion of the debt related to these projects has been recorded in the Enterprise Funds.

The debt service requirements on these bonds are as follows:

<u>Years Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 88,000	4.75%	\$ 39,948	\$ 127,948
2010	88,000	4.75	35,768	123,768
2011	88,000	4.75	31,588	119,588
2012	88,000	4.75	27,408	115,408
2013	88,000	4.75	23,228	111,228
2014 - 2018	<u>445,000</u>	4.75	<u>53,316</u>	<u>498,316</u>
Total	<u>\$ 885,000</u>		<u>\$ 211,256</u>	<u>\$ 1,096,256</u>

Payable from:

Governmental Funds	\$ 601,800
Enterprise Funds	<u>283,200</u>
	<u>\$ 885,000</u>

Principal paying date: June 1

Interest paying dates: June 1 and December 1

The bond ordinance requires monies to be segregated and restricted in special restricted accounts as described below:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2008, all proceeds have been used.	Costs associated with the project.
Principal and interest	Amount necessary to make the amount credited to the account equal to any principal and interest due and unpaid plus the amount of principal and interest deemed to accrue monthly on the outstanding bonds. As of April 30, 2008, \$98,182 has been required to be accumulated.	Paying current principal and interest.

The above amounts are reported as restricted cash as follows:

General Fund	\$ 66,764
Waterworks Fund	8,345
Sewerage Fund	<u>23,073</u>
	<u>\$ 98,182</u>

In fiscal year 2003, the City issued Alternate Revenue Bonds, Series 2002B. These bonds are general obligations of the City and contain a pledge of its full faith and credit for the payment of taxes and charges for services. A portion of the project relates to improvements to the sewer system and, therefore, the portion of the debt related to the sewer project has been recorded in the Enterprise Funds. The debt service requirements on these bonds are as follows:

<u>Years Ending April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 106,000	4.75%	\$ 56,050	\$ 162,050
2010	109,000	4.75	51,015	160,015
2011	111,000	4.75	45,838	156,838
2012	114,000	4.75	40,565	154,565
2013	116,000	4.75	35,150	151,150
2014 to 2018	<u>624,000</u>	4.75	<u>90,248</u>	<u>714,248</u>
Total	<u>\$ 1,180,000</u>		<u>\$ 318,866</u>	<u>\$ 1,498,866</u>

Payable from:

Governmental Funds	\$ 617,600
Enterprise Funds	<u>562,400</u>
	<u>\$ 1,180,000</u>

Principal paying date: December 1
Interest paying dates: June 1 and December 1

The bond ordinance requires monies to be segregated and restricted in special restricted accounts as described below:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2008, \$296,845 remains in this account.	Costs associated with the project.
Principal and interest	Amount necessary to make the amount credited to the account equal to any principal and interest due and unpaid plus the amount of principal and interest deemed to accrue monthly on the outstanding bonds. As of April 30, 2008, \$67,521 has been required to be accumulated.	Paying current principal and interest.

The above amounts are reported as restricted cash as follows:

General Fund	\$ 35,111
Sewerage Fund	<u>329,255</u>
	<u>\$ 364,366</u>

General Obligation Bonds

In fiscal year 2007, the City issued General Obligation Bonds, Series 2006. The proceeds of these bonds are being used to construct a community center complex within the City. The Bonds constitute valid and legally binding full faith and credit general obligations of the City, payable from ad valorem taxes levied on all taxable property in the City, without limitation as to rate or amount. The City, however, expects these bonds to be paid by sales and income taxes. The debt service requirements on these bonds are as follows:

Years Ending April 30,	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -		\$ 269,668	\$ 269,668
2010	125,000		265,294	390,294
2011	135,000	7.00%	256,194	391,194
2012	145,000	7.00	246,394	391,394
2013	155,000	7.00	235,893	390,893
2014 to 2017	730,000	7.00	823,876	1,553,876
2018	215,000	4.00	175,069	390,069
2019-2020	455,000	4.125	322,872	777,872
2021-2025	1,335,000	5.00	599,875	1,934,875
2026 to 2030	<u>1,705,000</u>	5.00	<u>221,125</u>	<u>1,926,125</u>
Total	\$ 5,000,000		<u>\$ 3,416,260</u>	<u>\$ 8,416,260</u>
Bond premium	428,165			
Accumulated amortization	<u>(67,098)</u>			
	<u>\$ 5,361,067</u>			

These General Obligation Bonds were issued at a premium of \$428,165. This premium is amortized over the life of the bonds using the interest method. Amortization on the premium was \$34,947 for the year ended April 30, 2008. The City incurred \$112,259 of bond issuance costs to issue these bonds. Bond issuance costs are carried net of accumulated amortization, which is calculated using the straight line method over the life of the bonds, which approximates interest method. Amortization expense was \$4,881 and accumulated amortization was \$9,762 at April 30, 2008.

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2008, \$6,000 remains in this account.	Costs associated with the project.
Principal and interest	Amount necessary to make the amount credited to the account equal to any principal and interest due and unpaid plus the amount of principal and interest deemed to accrue monthly on the outstanding bonds. As of April 30, 2008, \$394,669 has been required to be accumulated.	Paying current principal and interest.

The above amounts are reported as restricted cash as follows:

General Fund	\$ 6,000
Debt Service Fund	<u>394,669</u>
	<u>\$ 400,669</u>

Business-Type Activities

IEPA Loan Payable

In fiscal year 1997, the City entered into a loan agreement with the Illinois Environmental Protection Agency (IEPA) for the purpose of paying a part of the cost of constructing, improving, and extending the City's sewerage system facilities. The loan carries a fixed interest rate of 2.89 percent for a term of twenty years. Payments are due in semiannual amounts of \$101,058, including interest, thereafter, with final payment due March 1, 2018. The debt service requirements on this loan are as follows:

<u>Years Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 152,797	\$ 49,319	\$ 202,116
2010	157,245	44,871	202,116
2011	161,822	40,294	202,116
2012	166,532	35,584	202,116
2013	171,380	30,736	202,116
2014 to 2018	<u>934,692</u>	<u>75,883</u>	<u>1,010,575</u>
Total	<u>\$ 1,744,468</u>	<u>\$ 276,687</u>	<u>\$ 2,021,155</u>

The sewer loan ordinance for the IEPA loan requires monies held in the Sewerage Enterprise Fund to be segregated and restricted in separate special restricted accounts in the priority indicated by the order of the following:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
(a) Operation and maintenance	Amount sufficient, when added to amount then on deposit, to establish a balance equal to an amount not less than the amount necessary to pay operation and maintenance expenses for two months. The City ensures each month that the operating accounts of the Sewerage Enterprise Fund have adequate funds to meet this covenant. A separate account has not been established.	Expenses of operating, maintaining, and repairing the system.

(b) Bond, interest, and principal	Amount that results from the monthly accumulation of not less than a pro-rata of the interest becoming due on the next succeeding interest payment date and not less than a pro-rata of the principal becoming due on the next succeeding principal payment date. As of April 30, 2008, \$33,686 has been required to be accumulated.	Paying current principal and interest on bonds.
(c) Bond reserve	1/120 of maximum annual debt service per month, commencing May 1, 1997, until the account accumulates the total sum of \$202,116 (maximum annual debt service). As of April 30, 2008, \$202,116 has been accumulated.	Paying principal and interest on bonds in the event that the bond and interest account has insufficient funds.
(d) Depreciation	\$1,200 per month, commencing May 1, 1997, until the account accumulates the total sum of \$145,000. As of April 30, 2008, \$145,000 has been accumulated.	Paying principal and interest on bonds or extraordinary maintenance and repair costs in the event that no other funds are available for these purposes.
(e) Surplus	The amount remaining after payment into the above accounts. This is accounted for as the remainder of the unrestricted funds of the Sewerage Enterprise Fund.	Constructing or acquiring repairs, improvements or extensions to the system, calling or redeeming bonds or any other lawful purpose of the system.

The above amounts are reported as restricted cash as follows:

Sewerage Fund	\$ 380,802
---------------	------------

The City is a home-rule municipality and, accordingly, is not subject to any constitutional debt limit.

Debt Covenants

The various bond indentures contain limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various funds. The City is in compliance with all financial limitations and restrictions.

NOTE 5. RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

Illinois Municipal Retirement Fund

Plan Description

The City's defined benefit pension plan, Illinois Municipal Retirement (IMRF) provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent-multiple employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Funding Policy

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 9.82 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on the open basis). The amortization period at December 31, 2007 was 25 years.

For December 31, 2007, the City's annual pension cost of \$171,863 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002-2004 experience study. The principal changes were:

- The 1994 group annuity mortality implemented.
- For regular members, fewer normal and more early retirements are expected to occur.

Three Year Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/07	\$ 171,863	100%	\$-
12/31/06	175,066	100%	-
12/31/05	147,752	100%	-

Police Pension

Plan Description

The City of Washington Police Pension Trust Fund was created and is administered as prescribed by "Article 3. Police Pension Fund – Municipalities 500,000 and Under" of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). Provisions of the plan can only be modified by State legislation.

The Police Pension Trust Fund is a single-employer defined benefit pension plan, which covers the police-sworn personnel of the City. The Police Pension Trust Fund, which is administered by the City, provides retirement, death, and disability benefits to plan members and their beneficiaries. Qualifying employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary. Employees with at least 8 years, but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty or, otherwise, the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Membership of the plan consisted of the following at May 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	19
Total	<u>24</u>
Number of participating employers	<u>1</u>

Financial information for the Police Pension Trust Fund is recorded only in the City's fund financial statements.

Funding Policy

Qualifying employees are required to contribute 9.91 percent of their base salary to the Police Pension Trust Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan at an actuarially determined rate; the current rate is 13.38 percent of annual covered payroll.

Recognition of Contributions and Benefits Paid

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police Pension Trust Fund for May 1, 2007 (the date of the latest actuarial valuation) were as follows:

Annual Required Contribution (ARC)	\$ 120,934
Interest on net pension obligation	(1,329)
Adjustment to ARC	897
	<hr/>
Annual pension cost	120,502
	<hr/>
Contributions made	121,431
	<hr/>
Decrease in net pension obligation	(929)
	<hr/>
Net pension obligation, beginning of year	(17,717)
	<hr/>
Net pension obligation, end of year	\$ (18,646)

The required contribution was determined as part of the May 1, 2007 actuarial valuation using the entry age level percentage of payroll method over a 26 year closed period. The actuarial assumptions included (a) 7.50 percent investment rate of return which included a 3.00 percent increase for inflation (b) projected salary increases of 5.00 percent which included a 3.00 percent increase for inflation and (c) 3.00 percent per year cost of living adjustment. The actuarial value of Police Pension Plan's assets was determined using market value method. There were no changes with respect to plan provisions, actuarial methods or actuarial assumptions from the prior year.

Three Year Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
5/1/07	\$ 120,502	100.8%	\$-
5/1/06	121,725	100.5%	-
5/1/05	112,542	101.4%	-

Post-Employment Health Insurance

The City provides for extended health care coverage for retirees and their dependents. To be eligible for coverage a retiree needs to be at least 55 years old, have combined age and years of service of at least 80 and have been hired by the City before August 1, 1998. The City is funding this benefit on a pay as you go basis. At April 30, 2008, the retirees portion of coverage is \$50/month for family and \$25/month for single. During 2008, the City had three retirees receiving benefits. Total extended health care coverage expense for the year ended April 30, 2008 was \$39,855.

The City will implement Governmental Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans" for the year ending April 30, 2009. The statement requires state and local governments to account for other postemployment benefits on the accrual basis instead of the cash basis and requires disclosures on the related plans, funding levels and computation of the unfunded accrual or overfunded asset.

Retirement Health Savings Plan

In August 2007, the City initiated three retirement health savings plans which cover the unionized telecommunicators, the unionized police employees and non-union employees hired after July 31, 1998. The City will contribute 1.5% of an eligible participant's base wage plus longevity on an annual basis. The funds will be available to any participant upon separation from service. The City's contribution to the plan for the year ended April 30, 2008 was \$14,526.

NOTE 6. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2008 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 13,637	\$ 11,657
Special Revenue Funds		
Incremental Tax Fund	9,535	146
Civil Defense Fund	3,502	-
Storm Water Management	2,122	2,690
Enterprise Funds		
Waterworks Fund	27,015	-
Sewerage Fund	2,419	37,816
Internal Service Fund		
Motor Equipment Replacement Fund	-	3,502
Trust and Agency Fund		
Special Assessment Collection Fund	-	2,419
Total interfund receivables and payables	\$ 58,230	\$ 58,230

NOTE 7. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2008, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 12,700	\$ 1,322,987
Special Revenue Funds		
Illinois Municipal Retirement Fund	70,000	-
Incremental Tax Fund	-	215,251
Civil Defense Fund	75,500	-
Storm Water Management Fund	18,734	-
Capital Projects Funds		
Cruger Road Improvement Fund	419,415	-
South Cummings Improvement Fund	30,970	-
Dallas Road Improvement Fund	8,148	-
Debt Service Funds		
South Wood Street Fund	-	490
South Cummings Lane Fund	89,847	-
Kern Road Fund	140,731	-
Cruger Road Fund	85,795	-
Mallard Crossing Fund	-	1,000
Washington Area Community Center Fund	382,921	-
Enterprise Funds		
Waterworks Fund	244,161	35,605
Sewerage Fund	70,926	74,515
Total interfund transfers	<u>\$ 1,649,848</u>	<u>\$ 1,649,848</u>

NOTE 8. DEFICIT FUND BALANCE AND EXPENDITURES IN EXCESS OF BUDGET

The following funds had a deficit fund balance at April 30, 2008:

Cruger Road Improvement Fund	\$187,343
Muller Road Improvement Fund	459

Debt service fund expenditures exceeded budgeted amounts by a total of \$592.

NOTE 9. SELF INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance for these risks of loss.

The City uses an internal service fund, the Employees' Benefit Fund, to account for and finance its uninsured risks of loss associated with medical and dental claims of its employees and their dependents. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated payables for claims and losses for medical and hospital claims include an amount for claims incurred but not reported based upon actuarial estimates and prior experience. The City has specific excess insurance that provides coverage when medical and hospital claims in a given year exceed \$35,000 individually and \$539,383 in the aggregate for claims paid over an annual liability period.

Various funds of the City participate and make payments to the internal service fund based on historical cost information. Based on the requirements of *Governmental Accounting Standards Board Statement No. 10*, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated, unpaid claims of \$71,155 at April 30, 2008 have been included in the financial statements as a payable.

Changes in the claims liability in fiscal year 2008 were:

Balance at April 30, 2007	\$ 110,498
Current year claims and changes in estimates	453,144
Claims paid	<u>(492,487)</u>
Balance at April 30, 2008	<u>\$ 71,155</u>

NOTE 10. LITIGATION

The City is the defendant in several claims and lawsuits. Based on information of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 11. CONDUIT DEBT AGREEMENTS

In October 2006, the City issued Industrial Project Revenue Bonds to provide financial assistance to a private-sector entity for the construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities will transfer to the private-sector entity. As of April 30, 2008, the outstanding Industrial Project Revenue Bonds had an aggregate principal amount outstanding of \$6,240,000.

The City is not obligated in any manner for repayment of the above bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 12. PRIOR PERIOD ADJUSTMENT

The following error of the previously reported amount was discovered in the Governmental Activities during the current year:

Net assets at beginning of year, as previously reported	\$ 17,325,799
Prior period adjustment	
Adjustment to accrued unfunded pension contribution liability as the unfunded actuarial liability was recorded instead of the net pension obligation as defined in GASB Statement 27	<u>420,463</u>
Net assets at beginning of year, as restated	<u>\$ 17,746,262</u>

NOTE 13. SUBSEQUENT EVENT

On September 29, 2008, the City purchased the property owned by the Washington District Library located at 301 Walnut Street for \$251,501. This property is proposed to house City Hall administrative offices and thereby free space at the City's 115 W. Jefferson Street property for exclusive use by the Washington Police Department.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED APRIL 30, 2008

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 429,600	\$ 444,167	\$ 14,567
Licenses and permits	236,300	305,427	69,127
Intergovernmental	5,584,500	5,881,638	297,138
Grant proceeds	25,780	61,180	35,400
Charges for services	54,930	60,229	5,299
Fines and forfeitures	132,500	137,215	4,715
Special projects	144,800	107,721	(37,079)
Interest	175,500	226,364	50,864
Other	30,500	32,778	2,278
	<u>6,814,410</u>	<u>7,256,719</u>	<u>442,309</u>
EXPENDITURES			
Current			
General government	2,698,570	1,358,553	1,340,017
Public safety	3,188,545	2,870,018	318,527
Highways and streets	1,155,800	1,136,465	19,335
Health and welfare	16,200	13,724	2,476
Capital outlay	667,950	163,205	504,745
	<u>7,727,065</u>	<u>5,541,965</u>	<u>2,185,100</u>
Excess (deficiency) of revenue over expenditures	<u>(912,655)</u>	<u>1,714,754</u>	<u>2,627,409</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	12,700	12,700
Transfers out	(1,758,277)	(1,322,987)	435,290
Total other financing sources (uses)	<u>(1,758,277)</u>	<u>(1,310,287)</u>	<u>447,990</u>
Net change in fund balances	<u>\$ (2,670,932)</u>	<u>\$ 404,467</u>	<u>\$ 3,075,399</u>

Illinois Municipal Retirement Fund			Incremental Tax Fund			
Budget	Actual	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
			Original	Final		
\$ 353,100	\$ 353,058	\$ (42)	\$ 371,500	\$ 371,500	\$ 373,406	\$ 1,906
-	-	-	-	-	-	-
14,500	16,249	1,749	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,000	10,793	6,793	35,000	35,000	48,704	13,704
-	-	-	-	-	1,834	1,834
371,600	380,100	8,500	406,500	406,500	423,944	17,444
453,500	406,708	46,792	258,476	258,476	118,146	140,330
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	479,400	494,400	36,900	457,500
453,500	406,708	46,792	737,876	752,876	155,046	597,830
(81,900)	(26,608)	55,292	(331,376)	(346,376)	268,898	615,274
70,000	70,000	-	-	-	-	-
-	-	-	-	-	(215,251)	(215,251)
70,000	70,000	-	-	-	(215,251)	(215,251)
\$ (11,900)	\$ 43,392	\$ 55,292	\$ (331,376)	\$ (346,376)	\$ 53,647	\$ 400,023

**CITY OF WASHINGTON, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND**

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2007	\$ 5,231,988	\$ 5,510,837	\$ 278,849	94.94 %	\$1,750,136	15.93 %
12/31/2006	5,298,880	5,719,343	420,463	92.65	1,701,326	24.71
12/31/2005	4,661,686	5,077,455	415,769	91.81	1,639,863	25.35
12/31/2004	4,629,792	5,105,495	475,703	90.68	1,625,700	29.26
12/31/2003	4,284,063	4,380,762	96,699	97.79	1,527,831	6.33

**CITY OF WASHINGTON, ILLINOIS
POLICE PENSION TRUST FUND**

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (Year beginning May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2007	\$ 4,869,175	\$5,747,157	\$ 877,982	84.7 %	\$907,238	96.8 %
2006	4,569,010	5,372,514	803,504	85.0	782,981	102.6
2005	4,104,343	4,912,945	808,602	83.5	744,642	108.6
2004	3,709,548	4,356,574	647,026	85.1	715,453	90.4
2003	3,317,338	3,996,868	679,530	83.0	665,989	102.0

OTHER SUPPLEMENTARY INFORMATION

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED APRIL 30, 2008**

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 429,600	\$ 444,167	\$ 14,567
Licenses and permits	236,300	305,427	69,127
Intergovernmental	5,584,500	5,881,638	297,138
Grant proceeds	25,780	61,180	35,400
Charges for services	54,930	60,229	5,299
Fines and forfeitures	132,500	137,215	4,715
Special projects	144,800	107,721	(37,079)
Interest	175,500	226,364	50,864
Other	30,500	32,778	2,278
Total revenues	6,814,410	7,256,719	442,309
EXPENDITURES			
Current			
General government	2,698,570	1,358,553	1,340,017
Public safety	3,188,545	2,870,018	318,527
Highways and streets	1,155,800	1,136,465	19,335
Health and welfare	16,200	13,724	2,476
Cemetery	-	-	-
Capital outlay	667,950	163,205	504,745
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	7,727,065	5,541,965	2,185,100
Excess (deficiency) of revenue over expenditures	(912,655)	1,714,754	2,627,409
OTHER FINANCING SOURCES (USES)			
Transfers in	-	12,700	12,700
Transfers out	(1,758,277)	(1,322,987)	435,290
Total other financing sources (uses)	(1,758,277)	(1,310,287)	447,990
Net change in fund balances	\$ (2,670,932)	\$ 404,467	\$ 3,075,399

Special Revenue				Capital Projects			
Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
Original	Final			Original	Final		
\$ 820,300	\$ 820,300	\$ 822,366	\$ 2,066	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
399,500	399,500	393,850	(5,650)	1,240,400	1,240,400	1,137,419	(102,981)
-	-	-	-	-	-	-	-
76,000	76,000	62,350	(13,650)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,400	64,400	83,084	18,684	-	-	-	-
28,500	28,500	40,278	11,778	-	-	-	-
1,388,700	1,388,700	1,401,928	13,228	1,240,400	1,240,400	1,137,419	(102,981)
828,176	879,176	623,613	255,563	-	-	-	-
17,910	17,910	19,306	(1,396)	-	-	-	-
-	-	48,700	(48,700)	-	-	-	-
-	-	-	-	-	-	-	-
73,300	73,300	48,777	24,523	-	-	-	-
1,204,500	1,204,500	468,798	735,702	2,009,000	2,037,000	1,782,373	254,627
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,123,886	2,174,886	1,209,194	965,692	2,009,000	2,037,000	1,782,373	254,627
(735,186)	(786,186)	192,734	978,920	(768,600)	(796,600)	(644,954)	151,646
200,500	200,500	164,234	(36,266)	768,600	768,600	458,533	(310,067)
-	-	(215,251)	(215,251)	-	-	-	-
200,500	200,500	(51,017)	(251,517)	768,600	768,600	458,533	(310,067)
\$ (534,686)	\$ (585,686)	\$ 141,717	\$ 727,403	\$ -	\$ (28,000)	\$ (186,421)	\$ (158,421)

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED APRIL 30, 2008**

	Debt Service			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 48,138	\$ 48,138	\$ 47,870	\$ (268)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Grant proceeds	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Special projects	-	-	-	-
Interest	15,500	15,500	16,893	1,393
Other	-	-	-	-
Total revenues	63,638	63,638	64,763	1,125
EXPENDITURES				
Current				
General government	-	-	5,396	(5,396)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	268,177	268,177	268,177	-
Interest	494,022	494,022	489,218	4,804
Total expenditures	762,199	762,199	762,791	(592)
Excess (deficiency) of revenue over expenditures	(698,561)	(698,561)	(698,028)	533
OTHER FINANCING SOURCES (USES)				
Transfers in	701,177	701,177	699,294	(1,883)
Transfers out	(1,000)	(1,490)	(1,490)	-
Total other financing sources (uses)	700,177	699,687	697,804	(1,883)
Net change in fund balances	\$ 1,616	\$ 1,126	\$ (224)	\$ (1,350)

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED APRIL 30, 2008

	General Corporate	City Hall	Street
REVENUES			
Property taxes	\$ -	\$ -	\$ 129,470
Licenses and permits	272,596	-	-
Intergovernmental	5,857,962	-	7,946
Grant proceeds	-	-	15,780
Charges for services	-	-	4,759
Fines and forfeitures	137,215	-	-
Special projects	-	-	-
Interest	225,964	-	-
Other	12,674	-	11,232
	<u>6,506,411</u>	<u>-</u>	<u>169,187</u>
EXPENDITURES			
General government			
Personal services	331,469	14,559	-
Supplies	18,632	3,233	-
WACC grant	-	-	-
WACC	647,295	-	-
Other services and charges	86,371	30,375	-
Total general government	<u>1,083,767</u>	<u>48,167</u>	<u>-</u>
Public safety			
Personal services	-	-	-
Supplies	-	-	-
Special projects	-	-	-
Other services and charges	-	-	-
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>
Highways and streets			
Personal services	-	-	600,089
Supplies	-	-	14,746
Other services and charges	-	-	521,630
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,136,465</u>
Health and welfare			
Other services and charges	12,106	1,618	-
Capital outlay	41,203	-	52,318
	<u>1,137,076</u>	<u>49,785</u>	<u>1,188,783</u>
Excess (deficiency) of revenue over expenditures	<u>5,369,335</u>	<u>(49,785)</u>	<u>(1,019,596)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,252	9,958	490
Transfers out	(579,051)	-	(743,936)
Bond issuance	-	-	-
Bond premium	-	-	-
Total other financing sources (uses)	<u>(576,799)</u>	<u>9,958</u>	<u>(743,446)</u>
Net change in fund balance	<u>\$ 4,792,536</u>	<u>\$ (39,827)</u>	<u>\$ (1,763,042)</u>
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR			

Police	Tourism and Economic Development	Zoning	Fire and Rescue	Total	2007 (Memorandum Only)
\$ 115,976	\$ -	\$ -	\$ 198,721	\$ 444,167	\$ 384,823
-	32,831	-	-	305,427	305,225
6,270	-	-	9,460	5,881,638	5,535,595
45,400	-	-	-	61,180	201,974
55,470	-	-	-	60,229	59,947
-	-	-	-	137,215	150,832
107,721	-	-	-	107,721	105,769
400	-	-	-	226,364	346,626
8,872	-	-	-	32,778	47,168
340,109	32,831	-	208,181	7,256,719	7,137,959
-	15,743	133,629	-	495,400	464,339
-	-	772	-	22,637	13,149
-	-	-	-	-	166,391
-	-	-	-	647,295	4,093,567
-	34,449	42,026	-	193,221	272,224
-	50,192	176,427	-	1,358,553	5,009,670
1,986,413	-	-	-	1,986,413	1,883,239
14,310	-	-	-	14,310	13,212
76,694	-	-	-	76,694	80,580
378,443	-	-	414,158	792,601	798,566
2,455,860	-	-	414,158	2,870,018	2,775,597
-	-	-	-	600,089	534,173
-	-	-	-	14,746	16,325
-	-	-	-	521,630	412,472
-	-	-	-	1,136,465	962,970
-	-	-	-	13,724	12,988
66,700	-	2,984	-	163,205	108,802
2,522,560	50,192	179,411	414,158	5,541,965	8,870,027
(2,182,451)	(17,361)	(179,411)	(205,977)	1,714,754	(1,732,068)
-	-	-	-	12,700	19,096
-	-	-	-	(1,322,987)	(1,096,954)
-	-	-	-	-	5,000,000
-	-	-	-	-	428,165
-	-	-	-	(1,310,287)	4,350,307
\$ (2,182,451)	\$ (17,361)	\$ (179,411)	\$ (205,977)	404,467	2,618,239
				6,333,322	3,715,083
				\$ 6,737,789	\$ 6,333,322

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET -
INCREMENTAL TAX FUND BY ACCOUNTS
APRIL 30, 2008**

	Downtown	Washington Road	Total	2007 (Memorandum Only)
ASSETS				
Cash and cash equivalents	\$ 642,755	\$ 453,279	\$ 1,096,034	\$ 1,383,918
Receivables (net of allowance for uncollectibles)				
Property taxes	154,823	252,065	406,888	373,061
Due from other funds	9,535	-	9,535	-
	<u>\$ 807,113</u>	<u>\$ 705,344</u>	<u>\$ 1,512,457</u>	<u>\$ 1,756,979</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,095	\$ 6,091	\$ 7,186	\$ 279,069
Construction retainage payable	-	-	-	58,671
Due to other funds	73	73	146	1,588
Deferred revenue	154,823	252,065	406,888	373,061
Total liabilities	<u>155,991</u>	<u>258,229</u>	<u>414,220</u>	<u>712,389</u>
Fund balances				
Unreserved	<u>651,122</u>	<u>447,115</u>	<u>1,098,237</u>	<u>1,044,590</u>
	<u>\$ 807,113</u>	<u>\$ 705,344</u>	<u>\$ 1,512,457</u>	<u>\$ 1,756,979</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
INCREMENTAL TAX FUND BY ACCOUNTS
YEAR ENDED APRIL 30, 2008**

	Downtown	Washington Road	Total	2007 (Memorandum Only)
REVENUES				
Property taxes	\$ 148,305	\$ 225,101	\$ 373,406	\$ 360,070
Interest	25,561	23,143	48,704	75,635
Other	-	1,834	1,834	-
	<u>173,866</u>	<u>250,078</u>	<u>423,944</u>	<u>435,705</u>
EXPENDITURES				
General government	90,518	27,628	118,146	114,684
Capital outlay	20,000	16,900	36,900	-
	<u>110,518</u>	<u>44,528</u>	<u>155,046</u>	<u>114,684</u>
Excess of revenues over expenditures	<u>63,348</u>	<u>205,550</u>	<u>268,898</u>	<u>321,021</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(215,251)</u>	<u>(215,251)</u>	<u>(606,036)</u>
Net change in fund balances	63,348	(9,701)	53,647	(285,015)
FUND BALANCES, BEGINNING OF YEAR	<u>587,774</u>	<u>456,816</u>	<u>1,044,590</u>	<u>1,329,605</u>
FUND BALANCES, END OF YEAR	<u>\$ 651,122</u>	<u>\$ 447,115</u>	<u>\$ 1,098,237</u>	<u>\$ 1,044,590</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2008**

	Special Revenue						Total
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Liability Insurance	Storm Water Management	
ASSETS							
Cash and cash equivalents	\$ 134,805	\$ 14,158	\$ 6,422	\$ 437,324	\$ 64,917	\$ 133,371	\$ 790,997
Receivables (net of allowance for uncollectibles)							
Property taxes	-	3,157	28,009	-	76,812	-	107,978
Special assessments	-	-	-	-	-	-	-
Accounts - customers	1,250	-	-	-	-	-	1,250
Due from other funds	-	3,502	-	-	-	2,122	5,624
Due from other governments	-	-	-	29,475	-	-	29,475
Prepaid items	700	404	-	-	47,339	-	48,443
Restricted assets							
Cash and cash equivalents	-	-	-	-	-	-	-
	<u>\$ 136,755</u>	<u>\$ 21,221</u>	<u>\$ 34,431</u>	<u>\$ 466,799</u>	<u>\$ 189,068</u>	<u>\$ 135,493</u>	<u>\$ 983,767</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 2,278	\$ 160	\$ -	\$ -	\$ -	\$ 5,070	\$ 7,508
Due to other funds	-	-	-	-	-	2,690	2,690
Deferred revenue	-	3,157	28,009	-	76,812	21,579	129,557
Total liabilities	<u>2,278</u>	<u>3,317</u>	<u>28,009</u>	<u>-</u>	<u>76,812</u>	<u>29,339</u>	<u>139,755</u>
Fund balances							
Unreserved	<u>134,477</u>	<u>17,904</u>	<u>6,422</u>	<u>466,799</u>	<u>112,256</u>	<u>106,154</u>	<u>844,012</u>
	<u>\$ 136,755</u>	<u>\$ 21,221</u>	<u>\$ 34,431</u>	<u>\$ 466,799</u>	<u>\$ 189,068</u>	<u>\$ 135,493</u>	<u>\$ 983,767</u>

Capital Projects	Debt Service			Total Nonmajor Governmental	2007 (Memorandum Only)
	Muller Road	Mallard Crossing	WACC	Total	
\$ -	\$ -	\$ 144,259	\$ 144,259	\$ 935,256	\$ 726,021
-	-	-	-	107,978	95,986
-	47,578	-	47,578	47,578	53,982
-	-	-	-	1,250	6,950
-	-	-	-	5,624	201
-	-	-	-	29,475	31,286
-	-	-	-	48,443	43,532
-	14,889	394,669	409,558	409,558	542,923
\$ -	\$ 62,467	\$ 538,928	\$ 601,395	\$ 1,585,162	\$ 1,500,881

\$ 459	\$ -	\$ -	\$ -	\$ 7,967	\$ 4,762
-	-	-	-	2,690	-
-	47,578	-	47,578	177,135	144,125
459	47,578	-	47,578	187,792	148,887
(459)	14,889	538,928	553,817	1,397,370	1,351,994
\$ -	\$ 62,467	\$ 538,928	\$ 601,395	\$ 1,585,162	\$ 1,500,881

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2008**

	Special Revenue						
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Liability Insurance	Storm Water Management	Total
REVENUES							
Property taxes	\$ -	\$ 3,345	\$ 17,619	\$ -	\$ 74,938	\$ -	\$ 95,902
Intergovernmental	-	-	-	377,601	-	-	377,601
Charges for services	62,350	-	-	-	-	-	62,350
Interest	2,228	895	414	15,038	1,257	3,755	23,587
Special assessments	-	-	-	-	-	-	-
Other	2,943	4,502	-	-	-	30,999	38,444
	67,521	8,742	18,033	392,639	76,195	34,754	597,884
EXPENDITURES							
Current							
General government	-	-	23,000	-	66,512	9,247	98,759
Public safety	-	19,306	-	-	-	-	19,306
Highway and streets	-	-	-	48,700	-	-	48,700
Cemetery	48,777	-	-	-	-	-	48,777
Capital outlay	26,589	70,842	-	304,875	-	29,592	431,898
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
	75,366	90,148	23,000	353,575	66,512	38,839	647,440
Excess (deficiency) of revenues over expenditures	(7,845)	(81,406)	(4,967)	39,064	9,683	(4,085)	(49,556)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	75,500	-	-	-	18,734	94,234
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	75,500	-	-	-	18,734	94,234
Net change in fund balances	(7,845)	(5,906)	(4,967)	39,064	9,683	14,649	44,678
FUND BALANCES, BEGINNING OF YEAR	142,322	23,810	11,389	427,735	102,573	91,505	799,334
FUND BALANCES, END OF YEAR	\$ 134,477	\$ 17,904	\$ 6,422	\$ 466,799	\$ 112,256	\$ 106,154	\$ 844,012

[illegible]

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2008**

	Debt Service						
	South Wood Street	Kern Road	Cruger Road	South Cummings Lane	Mallard Crossing	WACC	Total
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 47,870	\$ -	\$ 47,870
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Interest	43	-	-	-	953	15,897	16,893
Special assessments	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
	43	-	-	-	48,823	15,897	64,763
EXPENDITURES							
Current							
General government	5,396	-	-	-	-	-	5,396
Public safety	-	-	-	-	-	-	-
Highway and streets	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	128,257	54,080	59,840	26,000	-	268,177
Interest	-	12,474	31,715	30,007	21,755	393,267	489,218
	5,396	140,731	85,795	89,847	47,755	393,267	762,791
Excess (deficiency) of revenues over expenditures	(5,353)	(140,731)	(85,795)	(89,847)	1,068	(377,370)	(698,028)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	140,731	85,795	89,847	-	382,921	699,294
Transfers out	(490)	-	-	-	(1,000)	-	(1,490)
Total other financing sources (uses)	(490)	140,731	85,795	89,847	(1,000)	382,921	697,804
Net change in fund balances	(5,843)	-	-	-	68	5,551	(224)
FUND BALANCES, BEGINNING OF YEAR	5,843	-	-	-	14,821	533,377	554,041
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 14,889	\$ 538,928	\$ 553,817

Total Nonmajor Governmental		2007 (Memorandum Only)	
\$	143,772	\$	143,066
	377,601		392,554
	62,350		75,950
	40,480		46,374
	-		5,843
	38,444		28,212
	662,647		691,999
	104,155		95,092
	19,306		9,380
	48,700		20,601
	48,777		57,525
	471,475		790,559
	268,177		285,172
	489,218		110,121
	1,449,808		1,368,450
	(787,161)		(676,451)
	832,646		1,190,041
	(1,490)		(126,874)
	831,156		1,063,167
	43,995		386,716
	1,353,375		965,278
\$	1,397,370	\$	1,351,994

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
APRIL 30, 2008**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2007 (Memorandum Only)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 363,503	\$ 995,957	\$ 1,359,460	\$ 1,093,774
Receivables (net of allowance for uncollectibles)				
Other	-	1,467	1,467	9,650
Due from other funds	-	-	-	-
Prepaid items	-	3,684	3,684	3,316
Total current assets	363,503	1,001,108	1,364,611	1,106,740
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	607,213	607,213	690,370
	<u>\$ 363,503</u>	<u>\$ 1,608,321</u>	<u>\$ 1,971,824</u>	<u>\$ 1,797,110</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	\$ 71,155	\$ 19,718	\$ 90,873	\$ 122,070
Accrued compensated absences	-	1,694	1,694	1,504
Due to other funds	-	3,502	3,502	4,661
Total current liabilities	71,155	24,914	96,069	128,235
Noncurrent liabilities				
Accrued compensated absences	-	1,598	1,598	1,271
Total liabilities	71,155	26,512	97,667	129,506
Net assets				
Invested in capital assets	-	607,213	607,213	690,370
Unrestricted	292,348	974,596	1,266,944	977,234
Total net assets	292,348	1,581,809	1,874,157	1,667,604
	<u>\$ 363,503</u>	<u>\$ 1,608,321</u>	<u>\$ 1,971,824</u>	<u>\$ 1,797,110</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2008**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2007 (Memorandum Only)
OPERATING REVENUES				
Charges for services	\$ 666,653	\$ 522,905	\$ 1,189,558	\$ 1,165,663
Employee contributions	57,130	-	57,130	60,313
Other	1,658	16,801	18,459	19,912
	<u>725,441</u>	<u>539,706</u>	<u>1,265,147</u>	<u>1,245,888</u>
OPERATING EXPENSES				
General and administrative	23,661	-	23,661	21,677
Personal services	627,673	71,944	699,617	743,772
Materials and supplies	-	148,792	148,792	113,958
Other services and charges	-	63,835	63,835	66,768
Depreciation	-	154,245	154,245	144,003
	<u>651,334</u>	<u>438,816</u>	<u>1,090,150</u>	<u>1,090,178</u>
Operating income	<u>74,107</u>	<u>100,890</u>	<u>174,997</u>	<u>155,710</u>
NONOPERATING REVENUES				
Interest income	(4,857)	(25,964)	(30,821)	(27,778)
Gain on sale of equipment	-	(735)	(735)	(7,500)
	<u>(4,857)</u>	<u>(26,699)</u>	<u>(31,556)</u>	<u>(35,278)</u>
Change in net assets	<u>78,964</u>	<u>127,589</u>	<u>206,553</u>	<u>190,988</u>
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>213,384</u>	<u>1,454,220</u>	<u>1,667,604</u>	<u>1,476,616</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 292,348</u>	<u>\$ 1,581,809</u>	<u>\$ 1,874,157</u>	<u>\$ 1,667,604</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2008**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2007 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 735,091	\$ 15,334	\$ 750,425	\$ 750,446
Receipts from interfund services provided	-	522,905	522,905	494,400
Payments to suppliers	(690,677)	(209,479)	(900,156)	(811,734)
Payments to employees	-	(66,797)	(66,797)	(66,238)
Net cash provided by operating activities	44,414	261,963	306,377	366,874
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from (to) other funds	-	(1,159)	(1,159)	10,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(71,088)	(71,088)	(164,941)
Proceeds from sale of equipment	-	735	735	7,500
Net cash used in capital and related financing activities	-	(70,353)	(70,353)	(157,441)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	4,857	25,964	30,821	27,778
NET CHANGE IN CASH AND CASH EQUIVALENTS	49,271	216,415	265,686	247,274
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	314,232	779,542	1,093,774	846,500
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 363,503</u>	<u>\$ 995,957</u>	<u>\$ 1,359,460</u>	<u>\$ 1,093,774</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 74,107	\$ 100,890	\$ 174,997	\$ 155,710
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	-	154,245	154,245	144,003
(Increase) decrease in receivables	9,650	(1,467)	8,183	(1,042)
Increase in prepaid items	-	(368)	(368)	(850)
Increase (decrease) in accounts payable and accrued liabilities	(39,343)	8,146	(31,197)	69,878
Increase (decrease) in accrued compensated absences	-	517	517	(825)
Net cash provided by operating activities	<u>\$ 44,414</u>	<u>\$ 261,963</u>	<u>\$ 306,377</u>	<u>\$ 366,874</u>

CITY OF WASHINGTON, ILLINOIS
COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2008

				2007 (Memorandum Only)
	Waterworks	Sewerage	Total	
Personal services				
Wages and salaries	\$ 277,401	\$ 383,544	\$ 660,945	\$ 614,779
Payroll taxes	14,231	18,478	32,709	25,862
Group insurance	69,671	97,100	166,771	172,807
Uniforms	3,148	4,195	7,343	5,387
Total personal services	364,451	503,317	867,768	818,835
Heat, lights, and power				
Electricity	129,122	186,239	315,361	264,984
Heating	5,029	11,132	16,161	13,323
Total heat, lights, and power	134,151	197,371	331,522	278,307
Materials and supplies				
Chemicals and supplies	96,538	7,318	103,856	97,629
Office supplies	3,394	2,975	6,369	6,867
Perishable tools	6,715	4,841	11,556	9,692
Total materials and supplies	106,647	15,134	121,781	114,188
Other services and charges				
Training and recruitment	2,009	547	2,556	508
Insurance	8,295	11,123	19,418	16,042
Printing fees	1,687	1,542	3,229	3,912
Legal fees	10,375	11,777	22,152	20,674
Consulting fees	6,733	2,793	9,526	11,529
Rent	521	1,720	2,241	3,169
Repairs and maintenance:				
Building	4,435	1,301	5,736	24,755
Equipment	6,217	5,644	11,861	3,463
System	45,012	61,680	106,692	87,245
Motor equipment replacement	64,100	92,000	156,100	122,000
Telephone	5,610	6,661	12,271	12,863
Miscellaneous	5,439	43,971	49,410	40,070
Total other services and charges	160,433	240,759	401,192	346,230
	\$ 765,682	\$ 956,581	\$ 1,722,263	\$ 1,557,560

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,
AND ASSESSED VALUATION
2005 THROUGH 2007**

	2007 Levy				2006 Levy			2005 Levy				
	Levy	Rate	Amounts Extended		Levy	Rate	Collections	Levy	Rate	Collections		
GENERAL FUND												
General Corporate	\$	298,900	0.1193	\$ 298,906	\$	198,700	0.0891	\$ 198,721	\$	150,000	0.0747	\$ 150,544
Police Pension		136,500	0.0545	136,513		115,900	0.0520	115,976		117,700	0.0586	118,097
SPECIAL REVENUE FUNDS												
Civil Defense		3,150	0.0012	3,157		3,200	0.0015	3,345		3,200	0.0016	3,225
Audit		28,000	0.0112	28,009		17,500	0.0079	17,619		16,000	0.0080	16,122
Illinois Municipal Retirement		172,000	0.0687	172,013		159,000	0.0713	159,021		325,500	0.1620	326,480
Social Security		213,000	0.0850	212,999		194,100	0.0870	194,037		-	0.0000	-
INTERNAL SERVICE FUND												
Liability Insurance		76,800	0.0307	76,812		75,000	0.0336	74,938		75,000	0.0374	75,373
TOTAL	\$	928,350	0.3706	\$ 928,409	\$	763,400	0.3424	\$ 763,657	\$	687,400	0.3423	\$ 689,841
CITY SHARE OF TOWNSHIP												
ROAD AND BRIDGE				<u>\$ 156,580</u>				<u>\$ 129,470</u>				<u>\$ 116,182</u>
ASSESSED VALUATIONS	\$	250,528,233			\$	223,223,855			\$	201,006,532		

**CITY OF WASHINGTON, ILLINOIS
INFORMATION REGARDING WASTEWATER
USER-CHARGE SYSTEM
YEAR ENDED APRIL 30, 2008**

(Unaudited)

The City adopted Ordinance Number 1299 establishing a user-charge system for wastewater system for wastewater treatment on November 7, 1977. Information required to be disclosed by Section 53.026 of the Ordinance is as follows:

Replacement cost of wastewater facility	Not Available
Total gallons received at the wastewater plant for the year	712,870,000
Total gallons of wastewater billed based on the user-charge system for the year	269,864,460
Number of metered users connected to the system at April 30, 2008	4,508
Number of nonmetered users at April 30, 2008	8